

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lenawee County	County Lenawee
Audit Date 12/31/05	Opinion Date 2/23/06	Date Accountant Report Submitted to State: 4/25/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

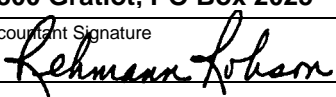
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☒ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Rehmann Robson			
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Accountant Signature 		ZIP 48605	Date 4/25/06



**Audited Financial Statements
and
Single Audit Act Compliance**

**For The Year Ended
December 31, 2005**



REHMANN ROBSON

Certified Public Accountants

COUNTY OF LENAWE, MICHIGAN

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COUNTY OF LENAWEЕ, MICHIGAN

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

February 23, 2006

Board of Commissioners
County of Lenawee, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **COUNTY OF LENAWEE, MICHIGAN**, as of and for the year ended December 31, 2005, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund, and therefore, a separate opinion unit. In addition, the Medical Care Facility represents 23% and 77% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the County of Lenawee, Michigan, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the County of Lenawee, Michigan, as of December 31, 2005, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the County of Lenawee, Michigan, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and County Health Department funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2006, on our consideration of the **County of Lenawee, Michigan's** internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and GASB Statement 25 supplementary information as listed in the table of contents, are not a required part of the basic financial statements of the primary government but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County's primary government. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements of the primary government taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lenawee County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2005.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$72,338,707 (*net assets*). Of this amount, \$27,256,867 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$11,248,335 during 2005.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$22,019,274, an increase of \$4,800,249 in comparison with the prior year primarily in large part as a result of an increase in the revenue sharing reserve fund and accounting changes that occurred in 2004 in recording current property tax collections with the property tax shift. The unreserved portion of the fund balance that is designated for future expenditures is \$3,427,514. The unreserved undesignated fund balance is \$17,479,848.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$7,328,775, or approximately 37 percent of total general fund expenditures. Total fund balance for the general fund was \$7,753,775.
- The County's total general obligation bond debt decreased by \$1,090,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lenawee County's basic financial statements. Lenawee County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, health, social and youth services, public works, and community culture and recreation. The business-type activities of the County include delinquent tax collections and property foreclosures.

The government-wide financial statements do not include two legally separate authorities: the Lenawee County Drain Commission and the Lenawee County Road Commission – for which the County is financially accountable. Financial information for these *component units* are reported in financial statements separate from the financial information presented for the primary government itself. Component unit financial statements may be obtained from the individual commissions. The Lenawee County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains thirty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Health Department, and Revenue Sharing Reserve funds, all of which are considered to be major funds. Data from the other thirty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax operations and property foreclosures. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its general office supplies for all departments. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations, the Human Services Building, the Medical Care Facility, and the Airport, each of which is considered to be a major fund of the County. Conversely, all internal service functions are presented as a single fund in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 25-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 29 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-51 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 52-54 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 55-78 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Lenawee, assets exceeded liabilities by \$72,338,707 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (42 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

Lenawee County's Net Assets

	Governmental activities		Business-type activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$30,826,158	\$29,984,429	\$20,613,913	\$18,962,928	\$51,440,071	\$48,947,357
Capital assets	19,989,486	20,203,514	19,707,613	16,031,662	39,697,099	36,235,176
Total assets	50,815,644	50,187,943	40,321,526	34,994,590	91,137,170	85,182,533
Long-term liabilities outstanding	6,148,491	6,464,176	3,940,000	4,705,000	10,088,491	11,169,176
Other liabilities	7,497,513	11,757,252	1,212,459	1,165,733	8,709,972	12,922,985
Total liabilities	13,646,004	18,221,428	5,152,459	5,870,733	18,798,463	24,092,161
Net assets:						
Invested in capital assets, net of related debt	14,746,211	14,676,556	15,767,613	11,281,662	30,513,824	25,958,218
Restricted	14,100,075	10,260,133	467,941	510,538	14,568,016	10,770,671
Unrestricted	8,323,354	7,029,826	18,933,513	17,331,657	27,256,867	24,361,483
Total net assets	\$37,169,640	\$31,966,515	\$35,169,067	\$29,123,857	\$72,338,707	\$61,090,372

A portion of the County's net assets (20 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$27,256,867 (38 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

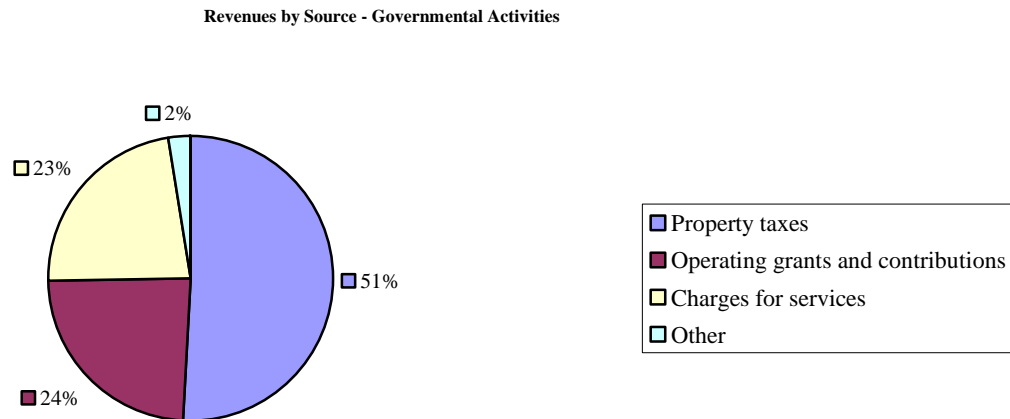
Lenawee County's Changes in Net Assets

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue:						
Program revenue:						
Charges for services	\$ 9,235,719	\$ 8,253,572	\$ 10,964,633	\$ 10,872,351	\$ 20,200,352	\$ 19,125,923
Operating grants and contributions	9,727,812	8,270,709	-	-	9,727,812	8,270,709
Capital grants and contributions	-	-	4,929,563	148,760	4,929,563	148,760
General revenue:						
Property taxes	20,612,683	19,995,539	-	-	20,612,683	19,995,539
Unrestricted investment earnings	653,664	324,221	980,806	670,876	1,634,470	995,097
Other Revenue	316,055	1,269,081	-	-	316,055	1,269,081
Gain on sale of capital assets	-	13,800	-	-	-	13,800
Total revenue	<u>40,545,933</u>	<u>38,126,922</u>	<u>16,875,002</u>	<u>11,691,987</u>	<u>57,420,935</u>	<u>49,818,909</u>
Expenses:						
General government	5,739,240	4,913,576	-	-	5,739,240	4,913,576
Public safety	248,639	8,245,089	-	-	248,639	8,245,089
Public works	5,802,721	187,935	-	-	5,802,721	187,935
Legislative	9,255,083	216,458	-	-	9,255,083	216,458
Judicial	195,516	5,803,895	-	-	195,516	5,803,895
Health and welfare	10,294,900	9,905,102	-	-	10,294,900	9,905,102
Community enrichment & development	3,176,210	2,548,384	-	-	3,176,210	2,548,384
Interest on bonds	176,277	183,155	-	-	176,277	183,155
Medical Care Facility	-	-	8,641,717	8,130,050	8,641,717	8,130,050
Airport	-	-	926,360	214,913	926,360	214,913
Human Services Building Operations	-	-	1,217,389	825,138	1,217,389	825,138
Jail Commissary	-	-	31,274	-	31,274	-
Summer Tax Administration	-	-	111,796	90,315	111,796	90,315
Delinquent Tax Admin/Revolving	-	-	165,376	132,261	165,376	132,261
Equalization assessment services	-	-	228,305	236,004	228,305	236,004
Business Loan Revolving	-	-	47	2,336	47	2,336
Total expenses	<u>34,888,586</u>	<u>32,003,594</u>	<u>11,322,264</u>	<u>9,631,017</u>	<u>46,210,850</u>	<u>41,634,611</u>
Increase in net assets before transfers	5,657,347	6,123,328	5,552,738	2,060,970	11,210,085	8,184,298
Transfers	<u>(454,222)</u>	<u>1,004,238</u>	<u>492,472</u>	<u>(1,054,590)</u>	<u>38,250</u>	<u>(50,352)</u>
Increase in net assets	5,203,125	7,127,566	6,045,210	1,006,380	11,248,335	8,133,946
Net assets - beginning of year	<u>31,966,515</u>	<u>24,838,949</u>	<u>29,123,857</u>	<u>28,117,477</u>	<u>61,090,372</u>	<u>52,956,426</u>
Net assets - end of year	<u>\$ 37,169,640</u>	<u>\$ 31,966,515</u>	<u>\$ 35,169,067</u>	<u>\$ 29,123,857</u>	<u>\$ 72,338,707</u>	<u>\$ 61,090,372</u>

Governmental activities. Governmental activities increased the County's net assets by \$5,494,067, while business type activities increased the net assets by \$6,045,210. Key elements of these increases are as follows:

- Property taxes increased by approximately \$617,144 during the year.
- Charges for services and operating grants and contributions increased by approximately \$2,439,250 (15 percent) during the year
- Interest earnings during the year were up \$329,443 (102 percent) due to a continuing increase in interest rates.
- Expenditures increased by \$2,884,992 (nine percent).

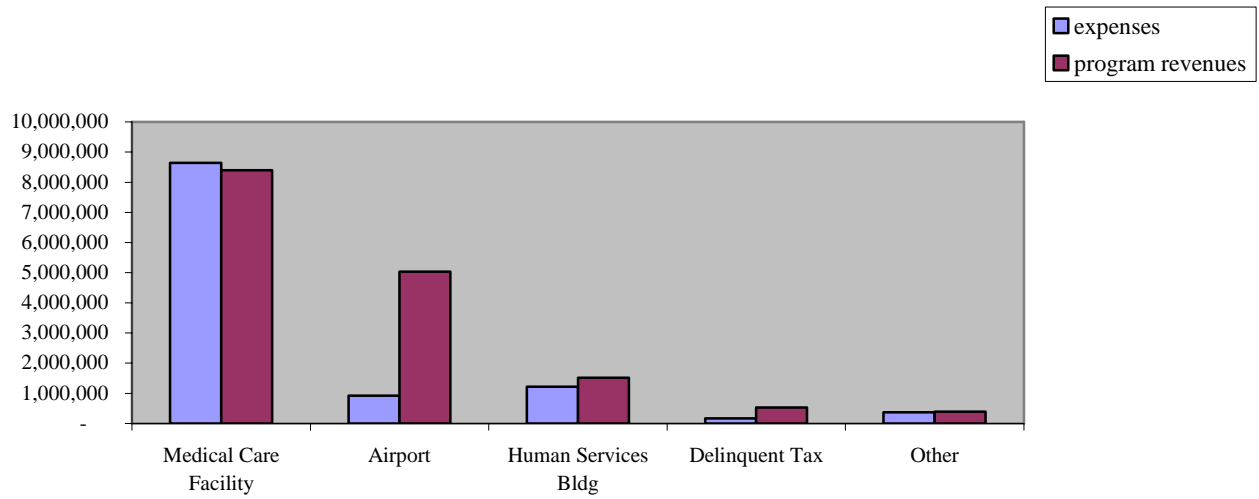
Revenues by Source - Governmental Activities



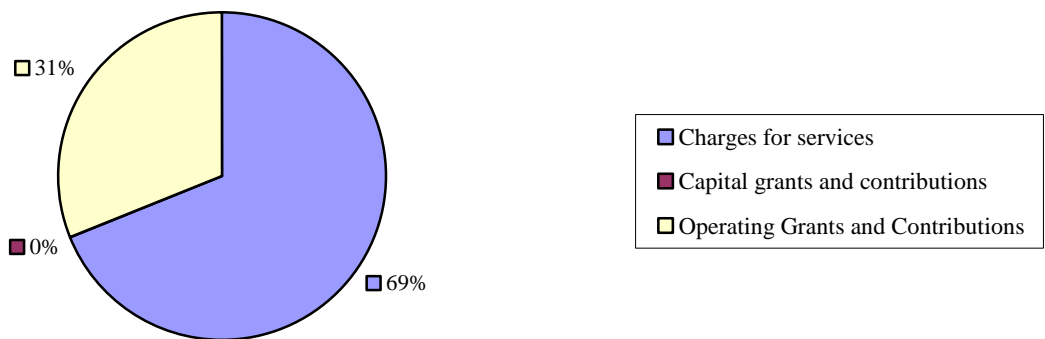
Business-type activities. Business-type activities increased the County's net assets by \$6,045,210, accounting for 54 percent of the total growth in the government's net assets for the current year. Key elements of this increase are as follows:

- Capital grants to the County Airport for \$4,929,563 were used to acquire and ready real property as part of the airport expansion.

Expenses and Program Revenues - Business-type Activities



Program Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, Lenawee County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$22,019,274. Over half of this total amount (\$17.5 million) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. \$3.4 million is unreserved, but designated for future expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) reserved for County Health and other programs (\$886,912) and 2) for long-term advances (\$225,000).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$7,328,775, while total fund balance was \$7,753,775. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 37 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$1,003,470 during the current fiscal year. This is primarily attributed to increased revenue through the state mandated early collection in the summer of 2005 of 1/3 of the County's property taxes and higher than anticipated interest earnings.

The county health fund has a total fund balance of \$1,468,962, which increased by \$49,121 during the year. Approximately 22% of the fund balance is unreserved/undesignated with the balance earmarked for programs.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax, building authority, medical care facility, and airport funds at the end of the year amounted to \$13,980,220, \$0, \$3,122,998, and \$(74,673) respectively. Nonmajor enterprise funds had \$1,904,968. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The difference between budgeted and actual expenditures was almost four percent, (an \$804,043 variance) and can be briefly summarized as follows:

- \$233,976 in judicial decreases
- \$243,220 in general support services decreases
- \$236,198 in general government decreases
- \$36,219 in public safety decreases
- \$ 54,430 in other miscellaneous areas

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of December 31, 2005, amounted to \$39,697,099 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was \$3.8 million.

Major capital asset events during the current fiscal year included the following:

- Construction in progress for 9-1-1 Dispatch, tower sites, and airport runway expansion
- Land acquisitions and improvements of \$687,779
- Various equipment and furniture purchases

Lenawee County's Capital Assets (net of depreciation)

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Land and land improvements	\$ 2,308,910	\$ 2,308,910	\$ 5,288,188	\$ 4,787,504	\$ 7,597,098	\$ 7,096,414
Buildings and improvements	16,051,898	6,094,128	9,954,221	10,148,383	26,006,119	16,242,511
Vehicles	398,698	483,503	7,741	9,155	406,439	492,658
Equipment and furniture	1,072,589	812,757	1,007,241	1,086,620	2,079,830	1,899,377
Construction in Progress	157,391	10,504,216	3,450,222		3,607,613	10,504,216
Total	<u>\$19,989,486</u>	<u>\$20,203,514</u>	<u>\$19,707,613</u>	<u>\$16,031,662</u>	<u>\$39,697,099</u>	<u>\$36,235,176</u>

Additional information on the County's capital assets can be found in note III.C on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$9,320,000.

Lenawee County's Outstanding Debt
General Obligation Bonds

	Governmental activities		Business-type activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
General obligation bonds	\$ 5,380,000	\$ 5,705,000	\$ 3,940,000	\$ 4,705,000	\$ 9,320,000	\$ 10,410,000
Total	\$ 5,380,000	\$ 5,705,000	\$ 3,940,000	\$ 4,705,000	\$ 9,320,000	\$ 10,410,000

The County's total general obligation bonds decreased by \$1,090,000 during the current fiscal year.

The county is contingently liable for long-term bonds of various municipal and sewerage districts for a total of \$19.6 million.

A significant portion of the County's debt activity occurs in the County's Internal Loan Fund (operating like a bank) and involving short, intermediate and long-term debt.

The County has an "A2" rating for bonds from Moody's. The County has an "A" rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e. State Equalized Value). The current debt limitation for the County is \$386,085,698, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.F on pages 45-47 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2006 fiscal year:

- The unemployment rate for the County is currently 8.0 percent (February, 2006), which is an increase from the average rate of 6.9 percent for 2005. This compares with the state's unemployment rate of 7.2 percent (February, 2006) and the current national rate of 5.1 percent (February 2006).
- Projections for continued growth in taxable value of real and personal property.
- Continuation of the shift in the collection of property taxes from December to July phased in over a three year period.

During the current fiscal year, unreserved fund balance in the general fund increased to \$7.33 million. The County has appropriated \$2,313,523 of this amount for spending in the 2006 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to substantially reduce services during the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lenawee County Administrator's Office, 301 North Main Street, Adrian, Michigan 49221.

Basic Financial Statements

Government-wide Financial Statements

LENAWEE COUNTY, MICHIGAN
Statement of Net Assets
December 31, 2005

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 17,118,481	\$ 15,643,212	\$ 32,761,693
Receivables	12,046,189	4,777,786	16,823,975
Internal balances	90,000	(90,000)	-
Inventory, prepaids, and other assets	1,571,488	282,915	1,854,403
Capital assets not being depreciated	2,466,301	8,268,075	10,734,376
Capital assets being depreciated, net	17,523,185	11,439,538	28,962,723
Total assets	50,815,644	40,321,526	91,137,170
Liabilities			
Accounts payable and accrued expenses	1,281,685	855,030	2,136,715
Unearned revenue	6,215,828	357,429	6,573,257
Noncurrent liabilities:			
Due within one year	1,093,491	765,000	1,858,491
Due in more than one year	5,055,000	3,175,000	8,230,000
Total liabilities	13,646,004	5,152,459	18,798,463
Net Assets			
Invested in capital assets, net of related debt	14,746,211	15,767,613	30,513,824
Restricted for:			
Debt service	1,523,812	-	1,523,812
Other purposes	12,576,263	467,941	13,044,204
Unrestricted	8,323,354	18,933,513	27,256,867
Total net assets	\$ 37,169,640	\$ 35,169,067	\$ 72,338,707

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Activities
For the Year Ended December 31, 2005

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 5,739,240	\$ 1,406,495	\$ 469,035	\$ -	\$ (3,863,710)
Legislative	248,639	-	-	-	(248,639)
Judicial	5,802,721	2,705,124	2,480,699	-	(616,898)
Public safety	9,255,083	2,228,948	1,314,383	-	(5,711,752)
Public works	195,516	8,000	42,075	-	(145,441)
Health and welfare	10,294,900	1,241,664	4,807,599	-	(4,245,637)
Community enrichment & development	3,176,210	1,645,488	614,021	-	(916,701)
Interest on bonds	176,277	-	-	-	(176,277)
Total governmental activities	<u>34,888,586</u>	<u>9,235,719</u>	<u>9,727,812</u>	<u>-</u>	<u>(15,925,055)</u>
Business-type activities:					
Medical Care Facility	8,641,717	8,401,841	-	-	(239,876)
Airport	926,360	106,474	-	4,929,563	4,109,677
Human Services Building Operations	1,217,389	1,520,125	-	-	302,736
Jail Commissary	31,274	32,296	-	-	1,022
Summer Tax Administration	111,796	77,323	-	-	(34,473)
Delinquent Tax Admin/Revolving	165,376	532,384	-	-	367,008
Equalization assesment services	228,305	233,164	-	-	4,859
Business Loan Revolving	47	61,026	-	-	60,979
Total business-type activities	<u>11,322,264</u>	<u>10,964,633</u>	<u>-</u>	<u>4,929,563</u>	<u>4,571,932</u>
Total primary government	<u>\$ 46,210,850</u>	<u>\$ 20,200,352</u>	<u>\$ 9,727,812</u>	<u>\$ 4,929,563</u>	<u>\$ (11,353,123)</u>

continued...

LENAWEE COUNTY, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended December 31, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (15,925,055)	\$ 4,571,932	\$ (11,353,123)
General revenues:			
Property taxes	20,612,683	-	20,612,683
Unrestricted investment earnings	653,664	980,806	1,634,470
Other revenue	316,055	-	316,055
Transfers - internal activities	(454,222)	492,472	38,250
Total general revenues and transfers	21,128,180	1,473,278	22,601,458
Change in net assets	5,203,125	6,045,210	11,248,335
Net assets, beginning of year, as restated	31,966,515	29,123,857	61,090,372
Net assets, end of year	\$ 37,169,640	\$ 35,169,067	\$ 72,338,707

The accompanying notes are an integral part of these financial statements.

Fund Financial Statements

LENAWEE COUNTY, MICHIGAN

Balance Sheet

Governmental Funds

December 31, 2005

	General	221 County Health	285 Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 7,451,916	\$ 756,041	\$ 2,945,475	\$ 5,645,828	\$ 16,799,260
Deposits and escrow	-	773,834	-	-	773,834
Taxes receivable	9,493,709	-	-	522,573	10,016,282
Accounts receivable - general	131,208	209,646	-	373,103	713,957
Due from other governmental units	329,277	-	-	761,673	1,090,950
Interfund receivable	57,606	-	-	-	57,606
Due from other funds	90,000	-	3,948,658	1,000	4,039,658
Advance to component unit	225,000	-	-	-	225,000
Prepaid expenditures	-	-	-	134,000	134,000
<u>TOTAL ASSETS</u>	<u>\$ 17,778,716</u>	<u>\$ 1,739,521</u>	<u>\$ 6,894,133</u>	<u>\$ 7,438,177</u>	<u>\$ 33,850,547</u>
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts and contracts payable	\$ 258,637	\$ 18,832	\$ -	\$ 343,612	\$ 621,081
Accrued wages and benefits	279,464	66,938	-	185,433	531,835
Interfund payable	-	-	-	57,606	57,606
Due to other funds	3,949,658	-	-	-	3,949,658
Deferred revenue	5,537,111	184,789	-	858,410	6,580,310
Other liabilities	71	-	-	47,712	47,783
Deposits and trust monies held	-	-	-	43,000	43,000
Total liabilities	10,024,941	270,559	-	1,535,773	11,831,273
Fund balances					
Reserved for programs	200,000	686,912	-	-	886,912
Reserved for long-term advances	225,000	-	-	-	225,000
Unreserved - designated for future expenditures	2,313,523	452,102	-	-	2,765,625
Reported in nonmajor special revenue funds	-	-	-	323,889	323,889
Reported in nonmajor capital project funds	-	-	-	338,000	338,000
Unreserved - undesignated	5,015,252	329,948	6,894,133	-	12,239,333
Reported in nonmajor special revenue funds	-	-	-	3,142,680	3,142,680
Reported in nonmajor debt service funds	-	-	-	1,552,511	1,552,511
Reported in nonmajor capital project funds	-	-	-	545,324	545,324
Total fund balances	7,753,775	1,468,962	6,894,133	5,902,404	22,019,274
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 17,778,716</u>	<u>\$ 1,739,521</u>	<u>\$ 6,894,133</u>	<u>\$ 7,438,177</u>	<u>\$ 33,850,547</u>

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2005

Fund balances - total governmental funds	\$ 22,019,274
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets, net of accumulated depreciation	19,989,486
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance

Add - long-term receivables included in deferred revenue	364,482
--	---------

Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs. Differences between actuarially determined net pension costs and annual contributions are accumulated and reported as net pension (obligations)/assets.

Add - net pension asset	618,840
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	354,748
--	---------

Certain liabilities, such as bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(5,380,000)
Deduct - compensated absences	(768,491)
Deduct - accrued interest on long-term liabilities	(28,699)
	<hr/>

Net assets of governmental activities	<u><u>\$ 37,169,640</u></u>
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The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	221 County Health	285 Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 13,992,261	\$ -	\$ 4,698,060	\$ 1,922,362	\$ 20,612,683
Licenses and permits	230,225	507,486	-	1,383,695	2,121,406
Fines and forfeits	554,473	-	-	-	554,473
Use of money and property	616,390	88	-	56,331	672,809
Federal grants	1,824,928	890,288	-	885,194	3,600,410
State grants	1,630,487	230,506	-	3,156,666	5,017,659
Other intergovernmental revenue	-	-	-	1,085,020	1,085,020
Charges for services	3,365,907	450,871	-	931,100	4,747,878
Other	428,815	-	-	1,440,622	1,869,437
Total revenue	22,643,486	2,079,239	4,698,060	10,860,990	40,281,775
Expenditures					
Current:					
Legislative	248,632	-	-	-	248,632
General government	2,549,540	-	-	62,165	2,611,705
Judicial	5,601,156	-	-	118,853	5,720,009
Public safety	7,443,353	-	-	1,751,786	9,195,139
Health and welfare	834,766	2,583,485	-	6,807,532	10,225,783
Community enrichment and development	36,516	-	-	3,193,830	3,230,346
General support services	2,944,474	-	-	-	2,944,474
Public works	197,107	-	-	-	197,107
Other	173,294	-	-	-	173,294
Debt service:					
Principal	-	-	-	325,000	325,000
Interest and fiscal charges	-	-	-	177,430	177,430
Total expenditures	20,028,838	2,583,485	-	12,436,596	35,048,919
Revenue over (under) expenditures	2,614,648	(504,246)	4,698,060	(1,575,606)	5,232,856
Other financing sources (uses)					
Proceeds from sale of capital assets	21,615	-	-	-	21,615
Transfers in:					
County appropriation	-	553,367	-	2,887,074	3,440,441
Other	1,878,293	-	-	86,095	1,964,388
Transfers (out)	(3,511,086)	-	(1,760,269)	(587,696)	(5,859,051)
Total other financing sources (uses)	(1,611,178)	553,367	(1,760,269)	2,385,473	(432,607)
Net change in fund balances	1,003,470	49,121	2,937,791	809,867	4,800,249
Fund balance, beginning of year	6,750,305	1,419,841	3,956,342	5,092,537	17,219,025
Fund balance, end of year	\$ 7,753,775	\$ 1,468,962	\$ 6,894,133	\$ 5,902,404	\$ 22,019,274

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balances - total governmental funds	\$ 4,800,249
--	--------------

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	578,408
Deduct - depreciation expense	(738,331)

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the net book value of the capital assets are deducted from the proceeds and a gain on the sale of capital assets is reported.

Deduct - net book value of capital assets	(54,105)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct - change in deferred long-term receivables	264,158
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Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs.

Add - excess of contributions over net pension cost	37,041
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds payable	325,000
---	---------

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Deduct - net operating loss from governmental activities in internal service fund	(1,132)
---	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	1,153
Deduct - increase in the accrual for compensated absences	(9,316)

Change in net assets of governmental activities	\$ <u>5,203,125</u>
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The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenditures
And Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue				
Taxes and special assessments	\$ 13,987,768	\$ 13,040,187	\$ 13,992,261	\$ 952,074
Licenses and permits	99,900	109,900	230,225	120,325
Fines and forfeits	510,600	510,600	554,473	43,873
Use of money and property	254,145	254,145	616,390	362,245
Federal grants	1,813,071	1,813,071	1,824,928	11,857
State grants	1,517,466	1,556,255	1,630,487	74,232
Charges for services	2,988,196	2,984,696	3,365,907	381,211
Other	186,450	206,252	428,815	222,563
Total revenue	21,357,596	20,475,106	22,643,486	2,168,380
Expenditures				
Legislative	232,486	248,148	248,632	(484)
Judicial	5,783,122	5,835,132	5,601,156	233,976
Public safety	7,136,668	7,479,572	7,443,353	36,219
Health and welfare	896,371	896,290	834,766	61,524
Community enrichment and development	36,516	36,516	36,516	-
General support services	3,342,396	3,187,694	2,944,474	243,220
General government	2,742,166	2,785,738	2,549,540	236,198
Public works	193,366	189,180	197,107	(7,927)
Other	174,611	174,611	173,294	1,317
Total expenditures	20,537,702	20,832,881	20,028,838	804,043
Revenue over expenditures	819,894	(357,775)	2,614,648	2,972,423
Other financing sources (uses)				
Proceeds from sale of capital assets	-	21,615	21,615	-
Transfers in:				
Other	100,190	1,860,459	1,878,293	17,834
Transfers (out)	(3,465,161)	(3,515,161)	(3,511,086)	4,075
Total other financing sources (uses)	(3,364,971)	(1,633,087)	(1,611,178)	21,909
Net change in fund balances	(2,545,077)	(1,990,862)	1,003,470	2,994,332
Fund balance, beginning of year	6,750,305	6,750,305	6,750,305	-
Fund balance, end of year	\$ 4,205,228	\$ 4,759,443	\$ 7,753,775	\$ 2,994,332

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
County Health Department
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2005
(With Comparative Actual Amounts for the Year Ended September 30, 2004)

	2005				
	Budgeted Amounts			Variance -	2004
	Original	Final	Actual	Positive (Negative)	Actual
Revenue					
Licenses, fees, and permits	\$ 446,969	\$ 498,998	\$ 507,486	\$ 8,488	\$ 477,943
Use of money and property	-	-	88	88	57
Federal grants	-	-	890,288	890,288	600,021
State grants	1,056,132	1,121,509	230,506	(891,003)	529,081
Charges for services	425,856	424,565	450,871	26,306	400,849
Total revenue	1,928,957	2,045,072	2,079,239	34,167	2,007,951
Expenditures					
Personal services	1,909,272	1,873,945	1,879,535	(5,590)	1,856,714
Material and supplies	162,500	174,287	122,425	51,862	121,965
Contractual and other purchased services	598,340	563,516	540,794	22,722	550,025
Capital outlay	45,000	38,786	40,731	(1,945)	40,403
Total expenditures	2,715,112	2,650,534	2,583,485	67,049	2,569,107
Revenue over (under) expenditures	(786,155)	(605,462)	(504,246)	101,216	(561,156)
Other financing sources					
Transfers in:					
County appropriation	515,117	566,117	553,367	(12,750)	464,766
Net change in fund balances	(271,038)	(39,345)	49,121	88,466	(96,390)
Fund balance, beginning of year	1,419,841	1,419,841	1,419,841	-	1,516,231
Fund balance, end of year	\$ 1,148,803	\$ 1,380,496	\$ 1,468,962	\$ 88,466	\$ 1,419,841

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Revenue Sharing Reserve Fund
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2005
(With Comparative Actual Amounts for the Year Ended September 30, 2004)

	<u>2005</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>2004 Actual</u>
	<u>Original</u>	<u>Final</u>			
Revenue					
Licenses, fees, and permits	\$ 4,698,060	\$ 4,698,060	\$ 4,698,060	\$ -	\$ 4,698,060
Other financing uses					
Transfers out	(1,760,270)	(1,760,270)	(1,760,269)	1	(741,718)
Net change in fund balances	2,937,790	2,937,790	2,937,791	1	3,956,342
Fund balance, beginning of year	3,956,342	3,956,342	3,956,342	-	-
Fund balance, end of year	<u>\$ 6,894,132</u>	<u>\$ 6,894,132</u>	<u>\$ 6,894,133</u>	<u>\$ 1</u>	<u>\$ 3,956,342</u>

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Net Assets
Proprietary Funds
December 31, 2005

	Business-type Activities						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Assets							
Current assets							
Cash and cash equivalents	\$ 10,903,857	\$ 962,348	\$ 910,468	\$ 736	\$ 502,133	\$ 13,279,542	\$ 319,221
Restricted cash and cash equivalents	-	-	2,363,670	-	-	2,363,670	-
Accounts receivable	308,270	-	515,208	90,000	63,948	977,426	-
Delinquent taxes receivable	2,095,860	-	-	-	-	2,095,860	-
Interfund receivable	51,772	-	-	-	-	51,772	-
Due from other funds	320,461	-	-	-	-	320,461	-
Advance to Drain Commission Component Unit	300,000	-	-	-	-	300,000	-
Inventory	-	-	-	-	-	-	44,814
Prepaid expenses	-	-	96,855	-	-	96,855	-
Total current assets	13,980,220	962,348	3,886,201	90,736	566,081	19,485,586	364,035
Other assets							
Loans receivable	-	-	-	-	1,404,500	1,404,500	-
Deferred cost on bond reissue, net of amortization	-	139,369	46,691	-	-	186,060	-
Capital assets, net of accumulated depreciation	-	5,329,990	5,384,337	8,993,286	-	19,707,613	-
Total other assets	-	5,469,359	5,431,028	8,993,286	1,404,500	21,298,173	-
Total assets	13,980,220	6,431,707	9,317,229	9,084,022	1,970,581	40,783,759	364,035
Liabilities							
Current liabilities							
Accounts payable	-	9,068	327,990	3,733	8,968	349,759	9,287
Accrued wages and benefits	-	5,417	380,456	1,215	4,873	391,961	-
Accrued interest payable	-	11,862	-	-	-	11,862	-
Accrued expenses and deposits	-	-	101,448	-	-	101,448	-
Deferred revenue	-	357,429	-	-	-	357,429	-
Interfund payable	-	-	-	-	51,772	51,772	-
Due to other funds	-	250,000	-	160,461	-	410,461	-
Current portion of bonds payable	-	640,000	125,000	-	-	765,000	-
Total current liabilities	-	1,273,776	934,894	165,409	65,613	2,439,692	9,287
Long-term debt							
Bonds payable	-	2,015,000	1,160,000	-	-	3,175,000	-
Total liabilities	-	3,288,776	2,094,894	165,409	65,613	5,614,692	9,287
Net assets							
Invested in capital assets, net of related debt	-	2,674,990	4,099,337	8,993,286	-	15,767,613	-
Restricted	-	467,941	-	-	-	467,941	-
Unrestricted (deficit)	13,980,220	-	3,122,998	(74,673)	1,904,968	18,933,513	354,748
Total net assets	\$ 13,980,220	\$ 3,142,931	\$ 7,222,335	\$ 8,918,613	\$ 1,904,968	\$ 35,169,067	\$ 354,748

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Operating revenue							
Charges for services	\$ 532,384	\$ 131,287	\$ 8,148,411	\$ 105,892	\$ 341,269	\$ 9,259,243	\$ 216,024
Rental income	-	1,382,665	-	-	-	1,382,665	-
Vending and other income	-	6,173	253,430	582	51,938	312,123	-
Total operating revenue	532,384	1,520,125	8,401,841	106,474	393,207	10,954,031	216,024
Operating expenses							
Personal services costs	-	327,135	4,793,999	91,712	285,378	5,498,224	-
Supplies and other operating expenses	169,281	172,531	3,374,727	779,442	82,139	4,578,120	217,156
Other contractual services	-	444,755	-	-	-	444,755	-
Administrative costs	-	44	-	-	-	44	-
Depreciation expense	-	153,969	431,628	51,042	-	636,639	-
Total operating expenses	169,281	1,098,434	8,600,354	922,196	367,517	11,157,782	217,156
Operating income (loss)	363,103	421,691	(198,513)	(815,722)	25,690	(203,751)	(1,132)
Non-operating revenue (expenses)							
Interest income	812,784	21,765	56,335	-	100,524	991,408	-
Interest expense	-	(118,955)	(41,363)	(4,164)	-	(164,482)	-
Total non-operating revenue (expenses)	812,784	(97,190)	14,972	(4,164)	100,524	826,926	-
Income (loss) before contributions and transfers	1,175,887	324,501	(183,541)	(819,886)	126,214	623,175	(1,132)
Contributions from others	-	-	-	4,929,563	-	4,929,563	-
Transfers from other funds	208,410	212,837	300,000	83,385	-	804,632	-
Transfers to other funds	(212,837)	(93,904)	-	-	(5,419)	(312,160)	-
Change in net assets	1,171,460	443,434	116,459	4,193,062	120,795	6,045,210	(1,132)
Net assets, beginning of year, as restated	12,808,760	2,699,497	7,105,876	4,725,551	1,784,173	29,123,857	355,880
Net assets, end of year	\$ 13,980,220	\$ 3,142,931	\$ 7,222,335	\$ 8,918,613	\$ 1,904,968	\$ 35,169,067	\$ 354,748

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Cash flows from operating activities							
Cash received from customers, residents and users	\$ 113,649	\$ 1,401,345	\$ 8,407,246	\$ 15,892	\$ 327,321	\$ 10,265,453	\$ -
Cash received from reimbursement program	-	-	197,040	-	-	197,040	-
Other operating receipts	-	6,173	17,486	582	51,938	76,179	-
Cash paid to employees and suppliers	(169,281)	(989,470)	(7,963,185)	(800,617)	(347,987)	(10,270,540)	(218,405)
Receipts for interfund services provided	-	-	-	-	-	-	216,024
Net cash provided by (used in) operating activities	(55,632)	418,048	658,587	(784,143)	31,272	268,132	(2,381)
Cash flows from capital and related financing activities							
Principal payments on capital debt	-	(640,000)	(125,000)	-	-	(765,000)	-
Interest payments on capital debt	-	(86,224)	(41,363)	(4,164)	-	(131,751)	-
Capital contributions	-	-	-	4,929,563	-	4,929,563	-
Purchase of capital assets	-	-	(82,598)	(4,229,992)	-	(4,312,590)	-
Net cash provided by (used in) capital and related financing activities	-	(726,224)	(248,961)	695,407	-	(279,778)	-
Cash flows from non-capital financing activities							
Payments received on loans receivable	-	-	-	-	549	549	-
New loans made to businesses	-	-	-	-	(705,049)	(705,049)	-
Transfers from other funds	208,410	212,837	300,000	83,385	-	804,632	-
Transfers to other funds	(212,837)	(93,904)	-	-	(5,419)	(312,160)	-
Patient trust deposits (withdrawals)	-	-	(954)	-	-	(954)	-
Net cash provided by (used in) non-capital financing activities	(4,427)	118,933	299,046	83,385	(709,919)	(212,982)	-
Cash flows from investing activities							
Interest income received	812,784	21,765	56,335	-	100,524	991,408	-
Net increase (decrease) in cash and cash equivalents	752,725	(167,478)	765,007	(5,351)	(578,123)	766,780	(2,381)
Cash and cash equivalents, beginning of year	10,151,132	1,129,826	2,509,131	6,087	1,080,256	14,876,432	321,602
Cash and cash equivalents, end of year	\$ 10,903,857	\$ 962,348	\$ 3,274,138	\$ 736	\$ 502,133	\$ 15,643,212	\$ 319,221

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended December 31, 2005

	Business-type Activities - Enterprise Funds						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Statement of Net Assets Classification of Cash							
Current assets - Cash and cash equivalents	\$ 10,903,857	\$ 962,348	\$ 910,468	\$ 736	\$ 502,133	\$ 13,279,542	\$ 319,221
Restricted assets - Cash and cash equivalents	-	-	2,363,670	-	-	2,363,670	-
Total	\$ 10,903,857	\$ 962,348	\$ 3,274,138	\$ 736	\$ 502,133	\$ 15,643,212	\$ 319,221
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 363,103	\$ 421,691	\$ (198,513)	\$ (815,722)	\$ 25,690	\$ (203,751)	(1,132)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	153,969	431,628	51,042	-	636,639	-
Deferred financing amortization	-	-	5,188	-	-	5,188	-
(Increase) decrease in:							
Accounts receivable	(59,983)	1,299	258,835	(90,000)	(13,948)	96,203	-
Taxes receivable	(419,626)	-	-	-	-	(419,626)	-
Interfund receivable	(10,665)	-	-	-	-	(10,665)	-
Due from other funds	71,539	-	-	-	-	71,539	-
Inventory	-	-	-	-	-	-	(3,232)
Prepaid expenses	-	-	13,687	-	-	13,687	-
Increase (decrease) in:							
Accounts payable	-	5,991	126,678	2,635	8,950	144,254	1,983
Accrued wages and benefits	-	(996)	59,639	(559)	(85)	57,999	-
Accrued expenses and deposits	-	-	349	-	-	349	-
Deferred revenue	-	(113,906)	(38,904)	-	-	(152,810)	-
Interfund payable	-	-	-	-	10,665	10,665	-
Due to other funds	-	(50,000)	-	68,461	-	18,461	-
Net cash provided by (used in) operating activities	\$ (55,632)	\$ 418,048	\$ 658,587	\$ (784,143)	\$ 31,272	\$ 268,132	\$ (2,381)

The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2005

Assets

Cash and cash equivalents	\$ 7,735,761
Accounts receivable	<u>81,309</u>
Total assets	<u><u>\$ 7,817,070</u></u>

Liabilities

Undistributed fees, taxes and other collections	<u><u>\$ 7,817,070</u></u>
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The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

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LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic primary government financial statements of Lenawee County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. Reporting Entity

The accompanying financial statements are for the primary government of Lenawee County, and do not include the financial data of the component units of the County. The component units discussed below are considered to be part of the County’s reporting entity because of the significance of their operational or financial relationship with the County.

The financial statements of the Lenawee County Building Authority, which is a blended component unit, have been consolidated with the County’s capital projects, debt service and enterprise funds. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate certain County public buildings.

The following are the component units of the County which have been excluded from the accompanying financial statements. If these component units had been included, they would have been presented as discrete component units:

Lenawee Transportation Corporation - The County appoints all members of the governing board of the Lenawee Transportation Corporation and the County has the ability to significantly influence their operations. The County also approves the budget and grants of the Lenawee Transportation Corporation. A complete financial statement can be obtained from the Lenawee Transportation Corporation, c/o City of Adrian, City Hall, Adrian, Michigan 49221.

Lenawee County Road Commission – Members of the governing board of the Road Commission are elected, and set policy for all Road Commission activities. The Road Commission deposits receipts with the County and has investments through the County. A complete financial statement can be obtained from the Lenawee County Road Commission, 2461 Treat Highway, Adrian, Michigan 49221.

Lenawee County Drain Commission – The Drain Commissioner is an elected position with statutory authority to perform duties related to the construction and maintenance of drainage, water and sewer systems within Lenawee County. The County has the ability to significantly influence their operations. The County also approves the budget of the Lenawee County Drain Commission. A complete financial statement can be obtained from the Lenawee County Drain Commission, 320 Springbrook Avenue, Adrian, Michigan 49221.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *County health fund* accounts for the delivery of a vast array of health services to the residents of Lenawee County. This fund is accounted for on a September 30 fiscal year end, which coincides with the Health Department's primary funding source.

The *revenue sharing reserve fund* accounts for accelerated property tax collections held for the replacement of future state shared revenues.

The government reports the following major proprietary funds:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt (to provide cash flow for the purchase of the taxes) and for the resulting debt service payments.

The *building authority fund* accounts for the construction, operation, maintenance, and financing of the human services building.

The *medical care facility fund* accounts for the long-term care of elderly residents of Lenawee County in a medical care unit owned and operated by Lenawee County.

The *airport fund* accounts for all County airport operations.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects. The department on aging fund (a nonmajor special revenue fund) is accounted for on a September 30 fiscal year end, which coincides with its primary funding source.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

The *capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service fund* accounts for operations that provide services to other departments or agencies of the County, or to other governments, on a cost-reimbursement basis. The Central Stores Fund, as the only internal service fund, provides supplies and printing services to various County departments and others.

The *agency funds* account for assets held for other governments in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value.

State statutes authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories in the internal service fund are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

Capital assets of the primary government are depreciated using the straight line method over the useful life of the assets as follows:

Buildings and improvements	50 - 55 years
Equipment (computer, office and vehicles)	3 - 10 years

5. Compensated Absences

Under existing general County rules and regulations, all regular full-time employees are eligible for paid leave in varying amounts based on length of service, which may be used for vacation, sickness, personal days, or for other reasons subject to certain rules. All employees must take at least ten (10) working days per year of paid leave. Unused paid leave time is paid upon employee termination, but does not accumulate beyond maximums determined by length of service. This leave time is accrued when incurred in the government-wide and proprietary fund financial statements.

Accrued vacation, sick leave and other compensated absences are recorded as a governmental fund liability only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County's procedures for establishing the budgetary data reflected in the financial statements is as follows:

- The County Administrator submits a proposed operating budget to the Board of Commissioners before October 15. The operating budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is legally adopted no later than December 31 through a Board of Commissioners resolution prior to the beginning of the budgetary year for the general and special revenue funds. State statutes do not require legally adopted budgets for debt service or capital projects funds.
- The budget is approved by the Board of Commissioners at the functional level for the General Fund and on a total revenue/expenditure basis for the Special Revenue Funds. Budgetary control is exercised at these levels.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners or the County Administrator during the year. Appropriations unused at December 31 are not carried forward to the following year.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Lenawee County because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

The County did not adopt budgets for the Department of Human Services, Department of Human Services Child Care, Department on Aging, and Lilley Special Revenue Funds (all nonmajor governmental funds).

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. Expenditures of the legislative and public works functions of the General Fund exceeded the approved budget by \$484 and \$7,927, respectively.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) as December 31, 2005:

Cash and Cash Equivalents:

Statement of net assets	\$ 32,761,693
Statement of net assets – fiduciary funds	<u>7,735,761</u>

Total **\$ 40,497,454**

Deposits and Investments:

Bank deposits	\$ 36,183,778
Investments	4,310,276
Cash on hand	<u>3,400</u>

Total **\$ 40,497,454**

The County chooses to disclose its investments by specifically identifying each. As of year end, the County had the following investments.

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
Investment:		
Comerica Governmental Cash Investment Fund	\$ 2,327,455	-n/a-
MBIA Local Government Investment Pool	<u>1,982,821</u>	-n/a-
	<u>\$ 4,310,276</u>	

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. None of the County's investments were subject to credit risk ratings.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. At year end, the carrying amount of the County's deposits was \$36,183,778 and the total deposits held for the Drain Commission Component Unit was \$2,508,015. As of year end, \$38,251,461 of the combined bank balance of \$39,165,833 was exposed to custodial credit risk because it was uninsured and uncollateralized. Since the bank deposits of the primary government and Drain Commission Component Unit are pooled, separate risk categorizations or identification of FDIC coverage is not possible.

County policy limits the Treasurer's investing options to financial institutions located in Lenawee County, except when an investment is warranted to be invested in another Michigan County financial institution. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the County and a specific fund or common account. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

B. Receivables/Deferred Revenue

Receivables in the government activities are composed of the following:

Taxes	\$ 10,016,282
Accounts	713,957
Other governmental units	<u>1,315,950</u>
	<u>\$ 12,046,189</u>

All amounts are expected to be collected within one year.

Receivables in the business-type activities are composed of the following:

	<u>Total</u>	<u>Amount Expected to be Collected in More Than One Year</u>
Accounts	\$ 462,218	\$ -
Patient	515,208	-
Business loan	1,404,500	1,335,865
Taxes	2,095,860	400,000
Other	<u>300,000</u>	<u>300,000</u>
	<u>\$ 4,777,786</u>	<u>\$2,035,865</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes levied for the next fiscal year	\$ -	\$ 6,029,839
Long-term receivable not collectible within 60 days	364,482	-
Grant drawdowns prior to meeting all eligibility requirements and fees received in advance of being earned	<u>-</u>	<u>185,989</u>
	<u>\$ 364,482</u>	<u>\$ 6,215,828</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

C. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,308,910	\$ -	\$ -	\$ 2,308,910
Construction in progress	10,504,216	157,391	10,504,216	157,391
Total capital assets, not being depreciated	12,813,126	157,391	10,504,216	2,466,301
Capital assets, being depreciated:				
Buildings and improvements	10,822,356	10,301,002	30,962	21,092,396
Equipment and furniture	1,832,431	479,805	67,364	2,244,872
Vehicles	1,359,701	144,426	325,539	1,178,588
Total capital assets, being depreciated	14,014,488	10,925,233	423,865	24,515,856
Less accumulated depreciation for:				
Buildings and improvements	4,728,228	322,487	10,217	5,040,498
Equipment and furniture	1,019,674	219,973	67,364	1,172,283
Vehicles	876,198	195,871	292,179	779,890
Total accumulated depreciation	6,624,100	738,331	369,760	6,992,671
Total capital assets, being depreciated, net	7,390,388	10,186,902	54,105	17,523,185
Governmental activities capital assets, net	\$ 20,203,514	\$ 10,344,293	\$ 10,558,321	\$ 19,989,486

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Land	\$ 4,002,251	\$ 687,779	\$ -	\$ 4,690,030
Avigation easments	-	127,823	-	127,823
Construction in progress	-	3,450,222	-	3,450,222
Total capital assets, not being depreciated	4,002,251	4,265,824	-	8,268,075
Capital assets, being depreciated:				
Land improvements	1,499,888	-	-	1,499,888
Buildings and improvements	15,298,749	37,624	-	15,336,373
Equipment and furniture	2,504,057	9,142	-	2,513,199
Vehicles	42,392	-	-	42,392
Total capital assets, being depreciated	19,345,086	46,766	-	19,391,852
Less accumulated depreciation for:				
Land improvements	714,635	314,918	-	1,029,553
Buildings and improvements	5,150,366	231,786	-	5,382,152
Equipment and furniture	1,417,437	88,521	-	1,505,958
Vehicles	33,237	1,414	-	34,651
Total accumulated depreciation	7,315,675	636,639	-	7,952,314
Total capital assets, being depreciated, net	12,029,411	(589,873)	-	11,439,538
Business-type activities capital assets, net	\$ 16,031,662	\$ 3,675,951	\$ -	\$ 19,707,613

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General government	\$ 142,280
Judicial	104,272
Public safety	418,725
Health and welfare	52,980
Community enrichment	20,074

Total depreciation expense - governmental activities **\$ 738,331**

Business-type activities:

Building Authority	\$ 153,969
Medical Care Facility	431,628
Airport	51,042

Total depreciation expense - business-type activities **\$ 636,639**

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

D. Payables

Accounts payable and accrued liabilities in the governmental activities are as follows:

Trade accounts payable	\$ 630,368
Other liabilities	47,783
Wages, fringe benefits and other accrued liabilities	531,835
Accrued interest payable	28,699
Deposits and trust monies held	<u>43,000</u>
	<u>\$ 1,281,685</u>

Accounts payable and accrued liabilities in the business-type activities are as follows:

Trade accounts payable	\$ 349,759
Wages, fringe benefits and other accrued liabilities	391,961
Accrued interest payable	11,862
Accrued expenses and deposits	<u>101,448</u>
	<u>\$ 855,030</u>

E. Interfund Receivables, Payables and Transfers

Due to/from other funds	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 90,000	\$ 3,949,658
Revenue Sharing Reserve	3,948,658	-
Nonmajor governmental funds	1,000	-
Building Authority	-	250,000
Delinquent Tax Revolving	320,461	-
Airport	<u>-</u>	<u>160,461</u>
Total	<u>\$ 4,360,119</u>	<u>\$ 4,360,119</u>

Advances to component units:	<u>Receivable</u>
General Fund	\$ 225,000
Delinquent Tax Revolving	<u>300,000</u>
Total	<u>\$ 525,000</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

Certain nonmajor governmental and nonmajor enterprise funds with negative balances in the County's pooled cash accounts report an interfund payable, which is equal to the interfund receivables of \$57,606 and \$51,772 reported in the General Fund and Delinquent Tax Revolving Enterprise Fund, respectively.

The County has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The component units are excluded from the accompanying financial statements.

Interfund transfers	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,878,293	\$ 3,511,086
County Health	553,367	-
Revenue Sharing Reserve	-	1,760,269
Building Authority Capital Projects-Jail	-	-
Delinquent Tax Revolving	208,410	212,837
Building Authority	212,837	93,904
Medical Care Facility	300,000	-
Airport	83,385	-
Nonmajor governmental funds	2,973,169	587,696
Nonmajor enterprise funds	-	5,419
Total per financial statements	6,209,461	6,171,211
Adjustment for September 30 fiscal year end		
Health Department	(38,250)	-
Total	<u>\$ 6,171,211</u>	<u>\$ 6,171,211</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

F. Long-term Debt

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

County long-term debt activity for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Building Authority Limited Tax Full Faith and Credit General Obligation Bonds of \$6,030,000 due in varying annual installments of \$325,000 to \$530,000 at interest rates of 2.1% to 3.9%.	\$ 5,705,000	\$ -	\$ 325,000	\$ 5,380,000	\$ 325,000
Accumulated sick and vacation leave	<u>759,176</u>	<u>1,405,520</u>	<u>1,396,205</u>	<u>768,491</u>	<u>768,491</u>
	<u>\$ 6,464,176</u>	<u>\$1,405,520</u>	<u>\$ 1,721,205</u>	<u>\$ 6,148,491</u>	<u>\$1,093,491</u>
Business-type activities:					
Building Authority Limited Tax Full Faith and Credit General Obligation Bonds of \$1,410,000, due in varying installments of \$125,000 to \$165,000 plus interest rates of 2.0% to 3.5%, through 2014.	\$ 1,410,000	\$ -	\$ 125,000	\$ 1,285,000	\$ 125,000
Building Authority Limited Tax Full Faith and Credit Refunding General Obligation Bonds of \$4,525,000, due in varying installments of \$610,000 to \$680,000 plus interest rates of 2.0% to 3.1%, due 5/01/09.	<u>3,295,000</u>	<u>-</u>	<u>640,000</u>	<u>2,655,000</u>	<u>640,000</u>
	<u>\$ 4,705,000</u>	<u>\$ -</u>	<u>\$ 765,000</u>	<u>\$ 3,940,000</u>	<u>\$ 765,000</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

On September 1, 2002, the County issued \$4,525,000 in Limited Tax Full Faith and Credit General Obligation Refunding Bonds with an average rate of 2.6% to advance refund \$4,260,000 of outstanding 1993 Series Limited Tax Full Faith and Credit General Obligation Bonds with an average interest rate of 5.6%. As a result, the \$4,260,000 remaining 1993 Series bonds are considered to be defeased and the liability for these bonds has been removed from the Building Authority Fund. The balance of the defeased bonds outstanding was \$2,615,000 at December 31, 2005. This transaction resulted in a deferred cost on refunded bonds, where the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the new debt (through 4/30/09).

The annual requirements to amortize the general obligation bonds as of December 31, 2005, are as follows:

Governmental Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 325,000	\$ 170,442
2007	350,000	162,836
2008	350,000	154,261
2009	375,000	144,548
2010	375,000	133,580
2011-2015	2,100,000	467,507
2016-2018	<u>1,505,000</u>	<u>87,808</u>
	<u>\$ 5,380,000</u>	<u>\$ 1,320,982</u>

Business-type Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 765,000	\$ 100,233
2007	785,000	81,805
2008	810,000	60,513
2009	815,000	36,801
2010	140,000	22,445
2011-2014	<u>625,000</u>	<u>43,327</u>
	<u>\$ 3,940,000</u>	<u>\$ 345,124</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

The County of Lenawee is contingently liable for long-term bonds of various municipal sewerage and drainage districts at December 31, 2005, in the amount of \$18,401,988. The primary obligation for the bond principal and interest payments lies with the local unit. The County General Fund as an agent, however, is obligated to pay the debt if for any reason, there are not sufficient funds on hand from fixed debt retirement payments of the municipality.

For the governmental activities, compensated absences are generally liquidated by the general fund.

IV. OTHER INFORMATION

A. Risk Management

During the normal course of its operations, the County is exposed to various risks of loss related to liability, health, employee injury and other circumstances. The County has retained coverages through commercial insurance carriers. There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage in the past three years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Property Taxes

Through 2004, the County property taxes have been levied on December 1 of each year (the lien date) and were due in full by March 1 of the year following the levy, at which time uncollected taxes became delinquent. Pursuant to Public Act 357 of 2004, which provides a funding mechanism to replace state revenue sharing payments to counties, the County's levy date is gradually shifting (or accelerating) from December 1 to July 1 of each year. As such, for the year ended December 31, 2005, the County recognized the full December 1, 2004 levy and the July 1, 2005 levy, which represents one-third of the total tax levy for calendar 2005. In 2006, two-thirds of the County property tax will be levied July 1 and then in 2007, and for each year thereafter, all of the County property tax will be levied July 1.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the December 1, 2004 levy, for which revenue was recognized in fiscal 2005, was \$2.8 billion. The general operating tax rate for this levy was at the maximum rate of 5.0304 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.4909 mills for the Department on Aging and 0.1932 mills for the Medical Care Facility.

The assessed and taxable value of real and personal property for the July 1, 2005 levy, for which revenue was recognized in fiscal 2005, was \$2.9 billion. The general operating tax rate for this levy was at the maximum rate of 4.9881 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Pension Plan

Defined Benefit

General

The County contributes to the Lenawee County Board of Commissioners Employees' Retirement Income Plan ("Plan"), a single-employer defined benefit plan provided through a private insurance company that acts as an investment and administrative agent for the County. The Plan is not shown as a pension trust fund within the County's financial statements as the Plan is completely administered by an outside party. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements.

The County provides this Plan for all employees who regularly work at least 1,000 hours in a calendar year. The Plan is a defined benefit plan which pays upon retirement a benefit range (depending on Group) calculated at 1.0 to 2.5% of average monthly earnings times years of service, times final average compensation. For most employee groups, full retirement benefits are available when an employee reaches the "rule of 85" (age plus years of service) or age 62 with eight (8) years continuous service. Reduced retirement benefits are also available as early as age 55 with ten (10) years continuous service. Retirement plan benefits may vary pursuant to employee group provisions and/or collective bargaining agreements.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

Membership in the Plan consisted of the following at January 1, 2005, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	198
Terminated plan members entitled to, but not yet receiving benefits	105
Active plan members	<u>587</u>
Total	<u>890</u>

Employee Contributions

Eligible employees are required to contribute 0% to 5% of their annual compensation to the Plan. Total contributions amounted to \$685,158 for the year ended December 31, 2005.

Employer Contributions

The County also makes contributions to the Plan, at annual actuarially determined amounts, to provide assets sufficient to meet the benefits to be paid to plan members. Such aggregate contributions amounted to \$2,131,730 for the year ended December 31, 2005.

Summary of Significant Accounting Policies

Method Used to Value Investments

The Plan's investments are recorded at fair value and include accounts administered by a Life Insurance Company maintained under group annuity contracts.

Annual Pension Cost and Net Pension Obligation (Asset)

The County's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution	\$2,131,730
Interest on net pension asset	(42,158)
Adjustment to annual required contribution	<u>(49,714)</u>
Annual pension cost	2,039,858
Contribution made	<u>(2,131,730)</u>
Increase in net pension obligation (asset)	(91,872)
Net pension obligation (asset), beginning of year	<u>(526,968)</u>
Net pension obligation (asset), end of year	<u>\$ (618,840)</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

The annual required contribution for the current year was determined as part of a January 1, 2004 actual valuation using the entry age normal contribution method. The actuarial assumptions included 8% investment rate of return on the investment, compounded annually, and projected salary increases of 4% per year compounded annually, including inflation at 2% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two-year period. The unfunded, actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis with 20 years remaining, as of January 1, 2005.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/03	\$1,596,162	105%	\$ (495,428)
12/31/04	1,852,661	102	(526,968)
12/31/05	2,039,858	105	(618,840)

Defined Contribution Plan

Effective April 1, 2001, the County began to provide and administer pension benefits for certain new full-time employees through a defined contribution plan, called the Lenawee County Board of Commissioners Defined Contribution Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate on the date of employment. The plan requires the County to contribute, on behalf of each covered employee, 7 1/2% of the employees' compensation. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners.

Participants are required to contribute 7.5% of compensation to this plan.

The County made the required contribution to the plan, amounting to \$156,287 and employee contributions also were \$156,287 for the year ended December 31, 2005.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2005

E. Leases

The Building Authority Enterprise Fund leases space in the Human Services Building to various departments of the County and other governmental agencies. The cost and carrying amount of leased assets at year end was as follows:

Land	\$ 75,000
Buildings and improvements	7,603,554
Less accumulated depreciation	<u>(2,348,564)</u>
	<u>\$ 5,329,990</u>

Minimum future lease payments with other governmental agencies under non cancelable leases were as follows:

<u>Year Ending December 31,</u>	
2006	\$ 901,945
2007	901,945
2008	901,945
2009	827,935
2010	495,491
2011-2015	<u>525,948</u>
	<u>\$ 4,555,209</u>

F. Restatements

Beginning net assets of governmental activities were increased by \$290,942 to properly recognize capital assets constructed in 2002 which were inadvertently excluded from capital assets in prior years.

Beginning net assets of the Airport Enterprise Fund and business-type activities were increased by \$45,000 to properly recognize capital assets purchased in 2004 which were inadvertently excluded from capital assets in the prior year.

* * * * *

Required Supplementary Information

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
1/01/00	\$ 31,286,863	\$ 38,090,065	\$ 6,803,202	82.1 %	\$ 16,501,605	41.2 %
1/01/01	33,671,164	42,055,911	8,384,747	80.1	17,310,962	48.4
1/01/02	31,310,910	42,970,744	11,659,834	72.9	15,416,295	75.6
1/01/03	30,430,043	44,875,929	14,445,886	67.8	16,367,621	88.3
1/01/04	33,854,728	50,224,035	16,369,307	67.4	16,600,507	98.6
1/01/05	37,771,373	52,684,997	14,913,624	71.7	16,339,433	91.3

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1998	\$ 783,894	100 %
1999	1,021,428	100
2000	1,230,360	100
2001	1,329,417	100
2002	1,465,050	129
2003	1,669,712	100
2004	1,939,034	97
2005	2,131,730	100

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

ADDITIONAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	January 1, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Open amortization period
Remaining amortization period	20 years
Asset valuation method	Insurance company assigned value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases *	4.00%
* includes inflation at	2.00%
Cost of living adjustments	n/a

Combining and Individual Fund Statements and Schedules

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005				
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget	2004 Actual
	Original	Final			
Revenue					
Taxes:					
Current real property taxes	\$ 13,978,458	\$ 13,030,877	\$ 13,979,556	\$ 948,679	\$ 13,451,860
Trailer tax	9,310	9,310	12,705	3,395	12,767
	<u>13,987,768</u>	<u>13,040,187</u>	<u>13,992,261</u>	<u>952,074</u>	<u>13,464,627</u>
Licenses and Permits:					
Treasurer	60,000	70,000	180,315	110,315	63,196
Clerk	39,900	39,900	49,910	10,010	53,454
	<u>99,900</u>	<u>109,900</u>	<u>230,225</u>	<u>120,325</u>	<u>116,650</u>
Fines and Forfeits:					
Local ordinances	510,000	510,000	553,843	43,843	563,575
Clerk & District Court	600	600	630	30	737
	<u>510,600</u>	<u>510,600</u>	<u>554,473</u>	<u>43,873</u>	<u>564,312</u>
Use of Money and Property:					
Interest on investments	235,000	235,000	597,245	362,245	266,215
Rent	19,145	19,145	19,145	-	19,145
	<u>254,145</u>	<u>254,145</u>	<u>616,390</u>	<u>362,245</u>	<u>285,360</u>
State and Federal Grants:					
Probate Judge salary	140,000	140,000	84,367	(55,633)	147,393
Probate Court - Other	146,500	196,500	175,315	(21,185)	179,907
Probate Juvenile Officer salary	53,000	53,000	52,776	(224)	52,776
Probate Court Juvenile - Other	5,000	5,000	19,440	14,440	11,785
District Court	343,948	343,948	396,412	52,464	408,039
Friend of the Court:					
Title IV-D CRP - Federal	800,000	800,000	804,904	4,904	802,983
State supplement	-	-	-	-	25,037
Medical support - Federal	40,000	40,000	3,864	(36,136)	43,709
Incentive payments - Federal	110,000	110,000	210,117	100,117	402,947
Other	185,865	185,865	179,157	(6,708)	165,760

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005					2004 Actual
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget		
	Original	Final				
Revenue (continued)						
State and Federal Grants: (Concluded)						
Circuit Court Fund	\$ 88,000	\$ 88,000	\$ 120,026	\$ 32,026	\$ 112,981	
Prosecuting Attorney:						
Title IV-D CRP - Federal	125,071	125,071	106,072	-	101,324	
State supplement	-	-	-	-	5,568	
Victims' rights	55,100	43,889	37,530	(6,359)	45,298	
Other	101,747	101,747	95,146	(6,601)	99,062	
Judicial salary standard pay	91,448	91,448	91,448	-	91,448	
Operation Nightcap	-	-	18,972	18,972	14,593	
Convention facilities liquor	242,445	242,445	254,198	11,753	233,187	
Cigarette tax	61,863	61,863	61,852	(11)	56,904	
State income and sales tax	-	-	-	-	780,922	
State single business tax	-	-	-	-	198,053	
Court costs for children	300	300	965	665	2,310	
Administration costs	-	-	4,808	4,808	3,988	
Emergency management-Federal	722,000	722,000	663,246	(58,754)	73,145	
Emergency management-State	-	-	-	-	7,506	
Seat belt enforcement	-	-	35,686	35,686	-	
Buffer zone protection program	-	-	12,646	12,646	-	
Omni Grants	16,000	16,000	24,079	8,079	29,095	
Board & Care of Prisoners	2,250	2,250	2,389	139	2,013	
	3,330,537	3,369,326	3,455,415	105,088	4,097,733	
Charges for Services:						
District Court	1,725,200	1,725,200	1,906,929	181,729	1,920,721	
Civil fees	10,000	10,000	6,292	(3,708)	14,478	
Friend of the Court - service charges	70,000	70,000	83,988	13,988	99,249	
Probate Court	46,020	46,020	48,406	2,386	50,074	
Treasurer	7,500	7,500	11,971	4,471	10,444	
County Clerk	259,600	259,600	280,223	20,623	265,113	
Register of Deeds	851,020	851,020	1,012,664	161,644	1,057,710	
Computer services	-	-	50	50	1,637	
Sheriff - serving papers	10,000	10,000	4,205	(5,795)	10,144	
Sheriff other	4,106	4,106	7,807	3,701	10,435	
Medical Examiner	4,750	1,250	3,372	2,122	7,901	
	2,988,196	2,984,696	3,365,907	381,211	3,447,906	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005					
	Budgeted Amounts			Actual Over (Under)	2004	
	Original	Final	Actual	Final Budget	Actual	
Revenue (concluded)						
Other:						
County Clerk refunds and rebates	\$ 4,000	\$ 4,000	\$ 2,349	\$ (1,651)	\$ 7,691	
Other refunds and rebates	3,500	9,700	131,348	121,648	59,104	
Tax billings - municipalities	60,000	60,000	59,634	(366)	51,308	
Telephone, postage and other general refunds	118,950	132,552	235,484	102,932	293,411	
	186,450	206,252	428,815	222,563	411,514	
Total revenue	21,357,596	20,475,106	22,643,486	2,168,380	22,388,102	
Other financing sources						
Sale of capital assets	-	21,615	21,615	-	27,112	
Transfers in from other funds	100,190	1,860,459	1,878,293	17,834	832,395	
Total other financing sources	100,190	1,882,074	1,899,908	17,834	859,507	
Total revenue and other sources	21,457,786	22,357,180	24,543,394	2,186,214	23,247,609	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005					
	Budgeted Amounts			Actual Over (Under)	2004	
	Original	Final	Actual	Final Budget	Actual	
Expenditures						
Legislative						
Board of Commissioners	\$ 232,486	\$ 248,148	\$ 248,632	\$ (484)	\$ 216,458	
Judicial						
Circuit Court	586,048	594,535	619,750	(25,215)	567,848	
Circuit Court Probation	4,315	4,315	4,267	48	4,474	
Friend of the Court	1,294,700	1,290,842	1,176,772	114,070	1,184,615	
District Court	1,557,089	1,580,513	1,550,008	30,505	1,462,688	
Probate Court	513,914	547,251	455,419	91,832	514,735	
Probate Court Juvenile	655,348	656,458	661,844	(5,386)	660,029	
Prosecuting Attorney	997,796	987,547	975,773	11,774	939,615	
Prosecuting Attorney -						
Cooperative Reimbursement	172,076	171,835	155,641	16,194	148,122	
Jury Board	1,836	1,836	1,682	154	1,765	
	5,783,122	5,835,132	5,601,156	233,976	5,483,891	
Public Safety						
Sheriff Department	4,047,124	4,209,583	4,028,048	181,535	3,825,786	
Sheriff Security - Jail	2,584,176	2,759,348	2,919,519	(160,171)	2,729,286	
Drive Michigan Safely	-	-	11,564	(11,564)	14,591	
Court Bailiffs	242,080	243,918	247,370	(3,452)	210,273	
Dog Warden	56,858	59,748	41,796	17,952	46,672	
Animal Control	45,900	45,900	49,620	(3,720)	42,303	
Medical Examiner	160,530	161,075	145,436	15,639	116,165	
	7,136,668	7,479,572	7,443,353	36,219	6,985,076	
Health and Welfare						
Mental Health	324,682	324,682	324,682	-	324,682	
Substance Abuse	41,004	41,004	41,004	-	41,004	
Veterans Burials	24,626	24,626	14,850	9,776	16,450	
Veterans Affairs	94,153	94,419	93,586	833	87,844	
MSU Extension	362,005	361,658	310,743	50,915	295,333	
Transportation	43,134	43,134	43,134	-	41,080	
Area Agency on Aging	6,767	6,767	6,767	-	6,767	
	896,371	896,290	834,766	61,524	813,160	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005					
	Budgeted Amounts			Actual	2004	
	Original	Final	Actual	Over (Under) Final Budget	Actual	
Expenditures (continued)						
Community Enrichment and Development						
Lenawee Tomorrow Corporation	\$ 36,516	\$ 36,516	\$ 36,516	\$ -	\$ 51,516	
General Support Services:						
Administrator	699,726	511,317	463,978	47,339	417,916	
Switchboard	85,447	85,447	59,148	26,299	108,498	
Building and Grounds	635,944	642,068	572,253	69,815	522,811	
Building and Grounds - County Farm	2,500	2,500	2,588	(88)	2,481	
Utilities	515,499	515,499	525,040	(9,541)	419,102	
Printing / Purchasing	425,272	424,115	376,238	47,877	399,048	
Data Processing	494,391	520,119	477,790	42,329	453,708	
Insurance and Miscellaneous Bonds	483,617	486,629	467,439	19,190	457,556	
	3,342,396	3,187,694	2,944,474	243,220	2,781,120	
General Government:						
Planning	32,176	32,176	31,849	327	31,726	
Clerk	650,689	664,972	626,491	38,481	575,850	
Elections	78,621	79,133	53,223	25,910	85,910	
Treasurer	335,263	354,350	346,248	8,102	304,565	
Register of Deeds	418,785	421,800	326,977	94,823	315,390	
Surveyor	2,282	2,282	1,815	467	1,702	
Plat Board	746	741	582	159	755	
Emergency Management	758,733	760,122	689,904	70,218	116,551	
Equalization	464,871	470,162	472,451	(2,289)	458,006	
	2,742,166	2,785,738	2,549,540	236,198	1,890,455	
Public Works:						
Drain at Large	58,910	58,910	58,910	-	46,682	
Soil Conservation	27,503	27,503	27,503	-	27,503	
Mapping	96,953	97,767	105,694	(7,927)	98,747	
River Raisin Watershed	10,000	5,000	5,000	-	10,032	
	193,366	189,180	197,107	(7,927)	182,964	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005					2004 Actual
	Budgeted Amounts		Actual	Actual Over (Under) Final Budget		
	Original	Final				
Expenditures (concluded)						
Other:						
Cigarette tax distribution	\$ 43,668	\$ 43,668	\$ 43,660	\$ 8	\$ 40,168	
Human Services Rental Contribution	130,943	130,943	129,634	1,309	121,314	
	174,611	174,611	173,294	1,317	161,482	
Total expenditures	20,537,702	20,832,881	20,028,838	804,043	18,566,122	
Other financing uses - transfers out						
Special Revenue Funds:						
Parks	15,519	15,519	15,519	-	15,519	
Agriculture Committee	27,540	27,540	27,540	-	27,540	
County Health	515,117	515,117	515,117	-	515,117	
Drain Commission	322,611	322,611	322,611	-	282,688	
Marine Law	27,406	27,406	27,406	-	27,406	
Central Dispatcher	-	-	-	-	108,937	
Law Library	7,303	7,303	7,303	-	7,303	
County Library	289,941	289,941	289,941	-	281,496	
Child Care - Maurice Spear Campus	1,456,672	1,506,672	1,506,672	-	1,405,163	
Department of Human Services	23,187	23,187	23,187	-	23,187	
Child Care - DHS	332,065	332,065	332,065	-	332,065	
Others	-	-	-	-	33,151	
	3,017,361	3,067,361	3,067,361	-	3,059,572	
Capital Project Funds:						
Building and Site	350,000	350,000	350,000	-	150,000	
Jail Building & Inmate	25,000	25,000	20,925	4,075	6,129	
	375,000	375,000	370,925	4,075	156,129	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Concluded)
For the Year Ended December 31, 2005
(With Comparative Actual Amounts for the Year Ended December 31, 2004)

	2005					
	Budgeted Amounts		Actual	Actual	2004 Actual	
	Original	Final		Over (Under) Final Budget		
Other financing uses - transfers out (concluded)						
Enterprise Funds:						
Airport	\$ 72,800	\$ 72,800	\$ 72,800	\$ -	\$ 59,251	
Total other financing uses - transfers out	3,465,161	3,515,161	3,511,086	4,075	3,274,952	
Total expenditures and other uses	24,002,863	24,348,042	23,539,924	808,118	21,841,074	
Revenue and other sources over (under) expenditures and other uses	(2,545,077)	(1,990,862)	1,003,470	2,994,332	1,406,535	
Fund balance, beginning of year	6,750,305	6,750,305	6,750,305	-	5,343,770	
Fund balance, end of year	\$ 4,205,228	\$ 4,759,443	\$ 7,753,775	\$ 2,994,332	\$ 6,750,305	

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2005

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 3,160,430	\$ 1,531,674	\$ 953,724	\$ 5,645,828
Taxes receivable	522,573	-	-	522,573
Accounts receivable	212,534	160,569	-	373,103
Due from other governmental units	751,010	10,663	-	761,673
Due from other funds	-	1,000	-	1,000
Prepaid expenditures	134,000	-	-	134,000
<u>TOTAL ASSETS</u>	\$ 4,780,547	\$ 1,703,906	\$ 953,724	\$ 7,438,177
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts payable	\$ 273,212	\$ -	\$ 70,400	\$ 343,612
Accrued wages and benefits	185,433	-	-	185,433
Interfund payable	57,606	-	-	57,606
Deferred revenue	707,015	151,395	-	858,410
Other liabilities	47,712	-	-	47,712
Deposits and trust monies held	43,000	-	-	43,000
Total liabilities	1,313,978	151,395	70,400	1,535,773
Fund balance				
Unreserved - designated for future expenditures	323,889	-	338,000	661,889
Unreserved - undesignated	3,142,680	1,552,511	545,324	5,240,515
Total fund balance	3,466,569	1,552,511	883,324	5,902,404
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 4,780,547	\$ 1,703,906	\$ 953,724	\$ 7,438,177

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2005

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
Revenue				
Taxes and special assessments	\$ 1,922,362	\$ -	\$ -	\$ 1,922,362
Licenses, fees and permits	1,383,695	-	-	1,383,695
Use of money and property	4,702	41,700	9,929	56,331
Federal grants	885,194	-	-	885,194
State grants	3,122,335	-	34,331	3,156,666
Other intergovernmental revenue	1,085,020	-	-	1,085,020
Charges for services	456,540	429,609	44,951	931,100
Other	1,281,444	-	159,178	1,440,622
Total revenue	10,141,292	471,309	248,389	10,860,990
Expenditures				
Current:				
General government	62,165	-	-	62,165
Judicial	118,853	-	-	118,853
Public safety	1,602,765	-	149,021	1,751,786
Health and welfare	6,807,532	-	-	6,807,532
Community enrichment and development	2,858,865	-	334,965	3,193,830
Debt service:				
Principal	-	325,000	-	325,000
Interest and fiscal charges	-	177,430	-	177,430
Total expenditures	11,450,180	502,430	483,986	12,436,596
Revenue under expenditures	(1,308,888)	(31,121)	(235,597)	(1,575,606)
Other financing sources (uses)				
Transfers in:				
County appropriation	2,516,149	-	370,925	2,887,074
Other	36,095	-	50,000	86,095
Transfers (out)	(489,027)	-	(98,669)	(587,696)
Total other financing sources	2,063,217	-	322,256	2,385,473
Net change in fund balances	754,329	(31,121)	86,659	809,867
Fund balance, beginning of year	2,712,240	1,583,632	796,665	5,092,537
Fund balance, end of year	\$ 3,466,569	\$ 1,552,511	\$ 883,324	\$ 5,902,404

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2005

	208	211	215	223	232	241	243
	Parks	Agriculture Committee	Friend of Court Duties	Lenawee Transportation	Solid Waste	Medical Care Facility Millage	LEPC
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 20,682	\$ 28,385	\$ 125,781	\$ -	\$ 221,791	\$ 326,422	\$ 17,298
Taxes receivable	-	-	-	-	-	522,573	-
Accounts receivable	-	-	-	8,361	-	-	-
Due from other governmental units	-	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 20,682	\$ 28,385	\$ 125,781	\$ 8,361	\$ 221,791	\$ 848,995	\$ 17,298
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Accounts payable	\$ 155	\$ -	\$ -	\$ -	\$ 9,865	\$ -	\$ -
Accrued wages and benefits	-	-	-	1,184	1,048	-	-
Interfund payable	-	-	-	5,190	-	-	-
Deferred revenue	-	-	-	-	-	565,738	-
Other liabilities	-	-	-	-	-	-	-
Deposits and trust monies	-	-	-	-	-	-	-
Total liabilities	155	-	-	6,374	10,913	565,738	-
Fund balance							
Unreserved - designated for future expenditures	3,530	-	-	-	78,234	-	17,200
Unreserved - undesignated	16,997	28,385	125,781	1,987	132,644	283,257	98
Total fund balance	20,527	28,385	125,781	1,987	210,878	283,257	17,298
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 20,682	\$ 28,385	\$ 125,781	\$ 8,361	\$ 221,791	\$ 848,995	\$ 17,298

244 Survey & Remonu- mentation	250 Drain	256 Register of Deeds Automation	262 Community Corrections	263 Marine Law	264 Central Dispatcher	265 Drug Forfeitures	266 Law Enforcement Act	269 Law Library	270 Secondary Road Patrol
\$ -	\$ 121,944	\$ 86,808	\$ 28,774	\$ 28,692	\$ 382,092	\$ 48,302	\$ 101,318	\$ 24,068	\$ 30,572
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
57,573	-	-	5,852	-	152,417	-	-	-	38,820
-	-	-	-	-	134,000	-	-	-	-
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\$ 57,573	\$ 121,944	\$ 86,808	\$ 34,626	\$ 28,692	\$ 668,509	\$ 48,302	\$ 101,318	\$ 24,068	\$ 69,392
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\$ 5,157	\$ 200	\$ 15,468	\$ -	\$ 373	\$ 112,318	\$ -	\$ 2,555	\$ 935	\$ 432
-	24,552	686	1,173	-	18,802	-	-	277	3,230
52,416	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	47,712	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<hr/>									
57,573	72,464	16,154	1,173	373	131,120	-	2,555	1,212	3,662
<hr/>									
-	-	-	-	-	-	48,302	21,000	-	-
-	49,480	70,654	33,453	28,319	537,389	-	77,763	22,856	65,730
<hr/>									
-	49,480	70,654	33,453	28,319	537,389	48,302	98,763	22,856	65,730
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\$ 57,573	\$ 121,944	\$ 86,808	\$ 34,626	\$ 28,692	\$ 668,509	\$ 48,302	\$ 101,318	\$ 24,068	\$ 69,392
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LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet (Concluded)
Nonmajor Special Revenue Funds
December 31, 2005

	271	273	288	290	292
	County	COPS	Housing	Department	Child Care -
	Library	Grant	Rehabilitation	of Human	Maurice
				Services	Spear
					Campus
<u>ASSETS</u>					
Assets					
Cash and cash equivalents	\$ 62,698	\$ 118,023	\$ 42,682	\$ 35,392	\$ 206,992
Taxes receivable	-	-	-	-	-
Accounts receivable	-	-	-	-	204,173
Due from other governmental units	-	-	-	20,502	339,967
Prepaid expenditures	-	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 62,698	\$ 118,023	\$ 42,682	\$ 55,894	\$ 751,132
<u>LIABILITIES AND FUND BALANCE</u>					
Liabilities					
Accounts payable	\$ 16,575	\$ -	\$ -	\$ -	\$ 78,460
Accrued wages and benefits	7,975	-	-	-	50,898
Bank overdraft	-	-	-	-	-
Deferred income	-	-	-	-	141,277
Other liabilities	-	-	-	-	-
Deposits and trust monies	-	-	-	43,000	-
Total liabilities	24,550	-	-	43,000	270,635
Fund balance					
Unreserved - designated for future expenditures	27,714	117,603	-	8,006	-
Unreserved - undesignated	10,434	420	42,682	4,888	480,497
Total fund balance	38,148	118,023	42,682	12,894	480,497
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 62,698	\$ 118,023	\$ 42,682	\$ 55,894	\$ 751,132

294 Veterans Trust	296 Department on Aging	297 DHS Child Care	299 Special Projects	604 County Disaster	682 Lilley	690 Agricultural Revolving	Total
\$ 892	\$ 965,953	\$ 27,542	\$ 10,055	\$ 100	\$ 48,345	\$ 48,827	\$ 3,160,430
-	-	-	-	-	-	-	522,573
-	-	-	-	-	-	-	212,534
-	90,680	45,199	-	-	-	-	751,010
-	-	-	-	-	-	-	134,000
<hr/>							
\$ 892	\$ 1,056,633	\$ 72,741	\$ 10,055	\$ 100	\$ 48,345	\$ 48,827	\$ 4,780,547
<hr/>							
\$ -	\$ 29,310	\$ -	\$ 914	\$ -	\$ -	\$ 495	\$ 273,212
-	75,608	-	-	-	-	-	185,433
-	-	-	-	-	-	-	57,606
-	-	-	-	-	-	-	707,015
-	-	-	-	-	-	-	47,712
-	-	-	-	-	-	-	43,000
<hr/>							
-	104,918	-	914	-	-	495	1,313,978
<hr/>							
-	-	-	2,300	-	-	-	323,889
892	951,715	72,741	6,841	100	48,345	48,332	3,142,680
<hr/>							
892	951,715	72,741	9,141	100	48,345	48,332	3,466,569
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\$ 892	\$ 1,056,633	\$ 72,741	\$ 10,055	\$ 100	\$ 48,345	\$ 48,827	\$ 4,780,547
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LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	208	211	215	223	232	241	243
	Parks	Agriculture	Friend of	Lenawee	Solid	Medical	LEPC
		Committee	Court	Transportation	Waste	Care	
			Duties			Facility	
						Millage	
Revenue							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 538,496	\$ -
Licenses, fees and permits	-	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	69
Federal grants	-	-	-	49,362	-	-	-
State grants	-	-	-	271,207	-	-	-
Other intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	-	166,522	-	-
Other	3	-	43,100	67,464	36,198	35,617	-
Total revenue	3	-	43,100	388,033	202,720	574,113	69
Expenditures							
General government	-	-	-	-	-	-	-
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	386,739	-	62,010	-
Community enrichment and development	15,661	26,695	-	-	216,445	-	-
Total expenditures	15,661	26,695	-	386,739	216,445	62,010	-
Revenue over (under) expenditures	(15,658)	(26,695)	43,100	1,294	(13,725)	512,103	69
Other financing sources (uses)							
Transfers in:							
County appropriation	15,519	27,540	-	-	-	-	-
Other	-	-	-	-	-	-	-
Transfers (out)	(2,000)	-	(44,060)	-	-	(300,000)	-
Total other financing sources (uses)	13,519	27,540	(44,060)	-	-	(300,000)	-
Net change in fund balances	(2,139)	845	(960)	1,294	(13,725)	212,103	69
Fund balance, beginning of year, as restated	22,666	27,540	126,741	693	224,603	71,154	17,229
Fund balance, end of year	\$ 20,527	\$ 28,385	\$ 125,781	\$ 1,987	\$ 210,878	\$ 283,257	\$ 17,298

244 Survey & Remonu- mentation	250 Drain	256 Register of Deeds Automation	262 Community Corrections	263 Marine Law	264 Central Dispatcher	265 Drug Forfeitures	266 Law Enforcement Act	269 Law Library	270 Secondary Road Patrol
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,383,695	-	-	-	-
-	-	1,572	-	-	-	1,392	-	-	-
-	-	-	-	-	-	-	-	-	-
120,008	-	131,370	108,925	19,360	171,453	-	18,261	-	151,751
-	918,620	-	-	-	-	-	-	6,500	-
-	74,787	-	16,521	-	-	-	44,955	-	-
-	15,229	51	113	1,330	17,537	11,566	46	-	2,238
120,008	1,008,636	132,993	125,559	20,690	1,572,685	12,958	63,262	6,500	153,989
-	-	62,165	-	-	-	-	-	-	-
-	-	-	108,463	-	-	-	-	10,390	-
-	-	-	-	39,956	1,303,106	25,643	30,340	-	153,927
-	-	-	-	-	-	-	-	-	-
141,148	1,327,457	-	-	-	-	-	-	-	-
141,148	1,327,457	62,165	108,463	39,956	1,303,106	25,643	30,340	10,390	153,927
(21,140)	(318,821)	70,828	17,096	(19,266)	269,579	(12,685)	32,922	(3,890)	62
-	322,611	-	-	27,406	-	-	-	7,303	-
-	-	-	-	-	-	-	-	-	-
-	-	(54,103)	-	-	-	-	-	-	-
-	322,611	(54,103)	-	27,406	-	-	-	7,303	-
(21,140)	3,790	16,725	17,096	8,140	269,579	(12,685)	32,922	3,413	62
21,140	45,690	53,929	16,357	20,179	267,810	60,987	65,841	19,443	65,668
\$ -	\$ 49,480	\$ 70,654	\$ 33,453	\$ 28,319	\$ 537,389	\$ 48,302	\$ 98,763	\$ 22,856	\$ 65,730

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance (Concluded)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2005

	271	273	288	290	292
	County	COPS	Housing	Department	Child Care -
	Library	Grant	Rehabilitation	of Human	Maurice
				Services	Spear
					Campus
Revenue					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	-	-	-
Use of money and property	-	-	65	-	-
Federal grants	-	-	447,819	-	57,248
State grants	46,194	-	-	251,196	1,285,257
Other intergovernmental revenue	-	-	-	-	159,900
Charges for services	-	-	-	-	99,813
Other	317,440	420	-	-	92,176
Total revenue	363,634	420	447,884	251,196	1,694,394
Expenditures					
General government	-	-	-	-	-
Judicial	-	-	-	-	-
Public safety	-	-	-	-	-
Health and welfare	-	-	-	308,408	3,040,154
Community enrichment and development	646,480	-	447,831	-	-
Total expenditures	646,480	-	447,831	308,408	3,040,154
Revenue over (under) expenditures	(282,846)	420	53	(57,212)	(1,345,760)
Other financing sources (uses)					
Transfers in:					
County appropriation	289,941	-	-	23,187	1,470,577
Other	-	-	-	-	36,095
Transfers (out)	(15,000)	-	-	-	(73,864)
Total other financing sources (uses)	274,941	-	-	23,187	1,432,808
Net change in fund balances	(7,905)	420	53	(34,025)	87,048
Fund balance, beginning of year, as restated	46,053	117,603	42,629	46,919	393,449
Fund balance, end of year	\$ 38,148	\$ 118,023	\$ 42,682	\$ 12,894	\$ 480,497

294 Veterans Trust	296 Department On Aging	297 DHS Child Care	299 Special Projects	604 County Disaster	682 Lilley	690 Agricultural Revolving	Total
\$ -	\$ 1,383,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,922,362
-	-	-	-	-	-	-	1,383,695
-	-	-	-	-	1,604	-	4,702
-	326,610	-	4,155	-	-	-	885,194
9,427	489,641	-	48,285	-	-	-	3,122,335
-	-	-	-	-	-	-	1,085,020
-	19,945	-	-	-	-	33,997	456,540
-	461,193	176,431	-	-	3,292	-	1,281,444
9,427	2,681,255	176,431	52,440	-	4,896	33,997	10,141,292
-	-	-	-	-	-	-	62,165
-	-	-	-	-	-	-	118,853
-	-	-	49,793	-	-	-	1,602,765
9,275	2,513,379	487,567	-	-	-	-	6,807,532
-	-	-	-	-	2,149	34,999	2,858,865
9,275	2,513,379	487,567	49,793	-	2,149	34,999	11,450,180
152	167,876	(311,136)	2,647	-	2,747	(1,002)	(1,308,888)
-	-	332,065	-	-	-	-	2,516,149
-	-	-	-	-	-	-	36,095
-	-	-	-	-	-	-	(489,027)
-	-	332,065	-	-	-	-	2,063,217
152	167,876	20,929	2,647	-	2,747	(1,002)	754,329
740	783,839	51,812	6,494	100	45,598	49,334	2,712,240
\$ 892	\$ 951,715	\$ 72,741	\$ 9,141	\$ 100	\$ 48,345	\$ 48,332	\$ 3,466,569

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2005

	403 Building and Site	404 Airport Public Improvement	405 Maintenance Equipment and Replacement	466 Building Authority Capital Projects-Jail	467 Jail Building & Inmate Maintenance	471 Library Building	Total
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 426,888	\$ 1,921	\$ 76,838	\$ 199,949	\$ 84,709	\$ 163,419	\$ 953,724
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Accounts payable	\$ 6,375	\$ -	\$ -	\$ 63,224	\$ 801	\$ -	\$ 70,400
Fund balance							
Unreserved - designated for future expenditures	298,000	-	-	-	40,000	-	338,000
Unreserved - undesignated	122,513	1,921	76,838	136,725	43,908	163,419	545,324
	420,513	1,921	76,838	136,725	83,908	163,419	883,324
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 426,888	\$ 1,921	\$ 76,838	\$ 199,949	\$ 84,709	\$ 163,419	\$ 953,724

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2005

	403	404	405	466	467	471	
	Building	Airport	Maintenance	Building	Jail Building	Library	
	and Site	Public	Equipment	Authority	& Inmate	Building	Total
		Improvement	and	Capital	Maintenance		
			Replacement	Projects-Jail			
Revenue							
Use of money and property	\$ -	\$ 164	\$ -	\$ 9,120	\$ -	\$ 645	\$ 9,929
State grants	34,331	-	-	-	-	-	34,331
Charges for services	-	-	-	-	44,951	-	44,951
Other	9,466	2,412	2,340	261	36,054	108,645	159,178
Total revenue	43,797	2,576	2,340	9,381	81,005	109,290	248,389
Expenditures							
Public safety	-	-	-	50,698	98,323	-	149,021
Community enrichment and development	215,821	-	17,915	-	-	101,229	334,965
Total expenditures	215,821	-	17,915	50,698	98,323	101,229	483,986
Revenue over (under) expenditures	(172,024)	2,576	(15,575)	(41,317)	(17,318)	8,061	(235,597)
Other financing sources (uses)							
Transfers in:							
County appropriation	350,000	-	-	-	20,925	-	370,925
Other	-	-	35,000	-	-	15,000	50,000
Transfers (out)	(87,984)	(10,585)	-	-	(100)	-	(98,669)
Total other financing sources (uses)	262,016	(10,585)	35,000	-	20,825	15,000	322,256
Net change in fund balances	89,992	(8,009)	19,425	(41,317)	3,507	23,061	86,659
Fund balance, beginning of year	330,521	9,930	57,413	178,042	80,401	140,358	796,665
Fund balance, end of year	\$ 420,513	\$ 1,921	\$ 76,838	\$ 136,725	\$ 83,908	\$ 163,419	\$ 883,324

LENAWEE COUNTY, MICHIGAN
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2005

	595	603	647	692	
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	
ASSETS		Collection		Revolving	Total
Current assets					
Cash and cash equivalents	\$ 5,979	\$ 60,262	\$ -	\$ 435,892	\$ 502,133
Accounts receivable	3,948	-	60,000	-	63,948
Total current assets	9,927	60,262	60,000	435,892	566,081
Other assets					
Loans receivable	-	-	-	1,404,500	1,404,500
Total assets	9,927	60,262	60,000	1,840,392	1,970,581
LIABILITIES					
Current liabilities					
Accounts payable	8,905	-	63	-	8,968
Accrued wages and benefits	-	1,600	3,273	-	4,873
Interfund payable	-	-	51,772	-	51,772
Total current liabilities	8,905	1,600	55,108	-	65,613
NET ASSETS					
Unrestricted	1,022	58,662	4,892	1,840,392	1,904,968
Total net assets	\$ 1,022	\$ 58,662	\$ 4,892	\$ 1,840,392	\$ 1,904,968

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005

	595	603	647	692	
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	Total
		Collection		Revolving	
Operating revenue					
Charges for services	\$ 32,296	\$ 77,170	\$ 231,803	\$ -	\$ 341,269
Other	-	153	1,361	50,424	51,938
Total operating revenue	32,296	77,323	233,164	50,424	393,207
Operating expenses					
Personal services costs	-	88,349	197,029	-	285,378
Supplies and other operating expenses	31,274	19,542	31,276	47	82,139
Total operating expenses	31,274	107,891	228,305	47	367,517
Operating income (loss)	1,022	(30,568)	4,859	50,377	25,690
Non-operating revenue (expenses)					
Interest income	-	74,628	-	25,896	100,524
Transfers to other funds	-	-	(5,419)	-	(5,419)
Change in net assets	1,022	44,060	(560)	76,273	120,795
Net assets, beginning of year	-	14,602	5,452	1,764,119	1,784,173
Net assets, end of year	\$ 1,022	\$ 58,662	\$ 4,892	\$ 1,840,392	\$ 1,904,968

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005

	595	603	647	692	
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	Total
		Collection		Revolving	
Cash flows from operating activities					
Cash received from customers, residents and users	\$ 28,348	\$ 77,170	\$ 221,803	\$ -	\$ 327,321
Other operating receipts	-	153	1,361	50,424	51,938
Cash paid to employees and suppliers	(22,369)	(107,826)	(217,745)	(47)	(347,987)
Net cash provided by (used in) operating activities	5,979	(30,503)	5,419	50,377	31,272
Cash flows from non-capital financing activities					
Payments received on loans receivable	-	-	-	549	549
New loans made to businesses	-	-	-	(705,049)	(705,049)
Transfers to other funds	-	-	(5,419)	-	(5,419)
Net cash provided by (used in) non-capital financing activities	-	-	(5,419)	(704,500)	(709,919)
Cash flows from investing activities					
Interest income received	-	74,628	-	25,896	100,524
Net increase (decrease) in cash and cash equivalents	5,979	44,125	-	(628,227)	(578,123)
Cash and cash equivalents, beginning of year	-	16,137	-	1,064,119	1,080,256
Cash and cash equivalents, end of year	\$ 5,979	\$ 60,262	\$ -	\$ 435,892	\$ 502,133

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Nonmajor Enterprise Funds
For the Year Ended December 31, 2005

	603	603	647	692	
	Summer	Summer	Equalization	Business	
	Tax	Tax	Revolving	Loan	Total
	Collection	Collection			
<hr/>					
Statement of Net Assets Classification of Cash					
Current assets - Cash and cash equivalents	\$ 5,979	\$ 60,262	\$ -	\$ 435,892	\$ 502,133
<hr/>					
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ 1,022	\$ (30,568)	\$ 4,859	\$ 50,377	\$ 25,690
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Increase) decrease in:					
Accounts receivable	(3,948)	-	(10,000)	-	(13,948)
Increase (decrease) in:					
Accounts payable	8,905	-	45	-	8,950
Accrued wages and benefits	-	65	(150)	-	(85)
Interfund payable	-	-	10,665	-	10,665
<hr/>					
Net cash provided by (used in) operating activities	\$ 5,979	\$ (30,503)	\$ 5,419	\$ 50,377	\$ 31,272
<hr/>					

LENAWEE COUNTY, MICHIGAN
All Agency Funds
Combining Balance Sheet
December 31, 2005

	Agency Funds					
	701	703	721	764	889	
	Trust and	Summer Tax	Library	Inmate	Payroll	
	Agency	Collection	Penal	Trust	Clearing	Total
Assets						
Cash and cash equivalents	\$ 6,277,619	\$ 630,230	\$ 359,146	\$ 18,811	\$ 449,955	\$ 7,735,761
Accounts receivable	81,309	-	-	-	-	81,309
Total assets	<u>\$ 6,358,928</u>	<u>\$ 630,230</u>	<u>\$ 359,146</u>	<u>\$ 18,811</u>	<u>\$ 449,955</u>	<u>\$ 7,817,070</u>
Liabilities						
Undistributed fees, taxes and other collections	<u>\$ 6,358,928</u>	<u>\$ 630,230</u>	<u>\$ 359,146</u>	<u>\$ 18,811</u>	<u>\$ 449,955</u>	<u>\$ 7,817,070</u>

Single Audit Act Compliance

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the December 31, 2005 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Agriculture			
Passed-through the Region II Area Agency on Aging:			
Child and Adult Care Food Program			
Elderly Feeding (Congregate)	10.558		\$ 40,341
Elderly Feeding (Home Delivered Meals)	10.558		40,340
			<hr/>
Subtotal - Region II Area Agency on Aging			80,681
			<hr/>
Passed-through the Michigan Department of Education:			
National School Lunch Program	10.555	46-000-8003	34,471
School Breakfast Program	10.553	46-000-8003	22,777
Food Donation			
Entitlement Commodities	10.550	46-000-8003	3,553
Bonus Commodities	10.550	46-000-8003	1,007
			<hr/>
Subtotal - Michigan Department of Education			61,808
			<hr/>
Total U.S. Department of Agriculture			142,489
			<hr/>
U.S. Department of Housing and Urban Development			
Passed-through the Michigan Department of Commerce:			
Community Development - States Program	14.228	MSC-2001-0797-HOA	447,819
			<hr/>
U.S. Department of Justice			
Bureau of Justice Assistance:			
State Criminal Alien Assistance Program	16.606		4,155
			<hr/>
Passed-through the Michigan Department of State Police:			
2003 State Homeland Security Grant Program -			
Solution Area Planner	16.007		1,331
Exercise Grant	16.007		5,186
Byrne Formula Grant Program - Anti Drug Control	16.579	70103-9K98	24,079
			<hr/>
Subtotal - Michigan Department of State Police			30,596
			<hr/>
Total Department of Justice			34,751
			<hr/>
U.S. Department of Transportation			
Formula Grants for Other Than Urbanized Areas - Section 5311	20.509		49,362
			<hr/>
U.S. Department of Health and Human Services			
Passed-through the Region II Area Agency on Aging:			
Aging Cluster			
Special Programs for the Aging Title III, Part B - Grants			
for Supportive Services and Senior Centers			
Outreach	93.044		9,709
Senior Center Staffing:	93.044		13,461
Volunteer Transportation:	93.044		3,317
Home Care Assistance	93.044		24,642
			<hr/>
Special Programs for the Aging Title III, Part C - Nutrition Services			
Nutrition Congregate	93.045		79,025
Home Delivered Meals	93.045		77,311
			<hr/>

(continued...)

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the December 31, 2005 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Health and Human Services (continued)			
Passed-through the Region II Area Agency on Aging (continued):			
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services			
Disease Prevention	93.043		\$ 5,792
National Family Care Giver Support			
Kinship Care	93.052		18,101
Information and Assistance	93.052		1,475
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779		13,096
Subtotal - Region II Area Agency on Aging			245,929
Passed-through the Michigan Department of Community Health:			
Family Planning Services	93.217		95,574
Immunization Grants			
Vaccines	93.268		384,339
Immunization - IAP	93.268		39,533
Centers for Disease Control and Prevention, Investigation and Technical Assistance			
CDI-BCCCP (Wisewoman)	93.283		32,672
Bioterrorism	93.283		196,611
Medical Assistance Program			
Case Management	93.778		6,833
Cooperative Agreements for State Based Comprehensive Breast and Cervical Cancer Early Detection Programs			
BCCCP Coordination	93.919		50,817
Family Planning - BCCCP	93.919		4,250
Maternal & Child Health Services Block Grant to the States			
CSHCS Outreach and Advocacy	93.994		10,999
MCH Block Grant	93.994		68,660
Subtotal - Michigan Department of Community Health			890,288
Passed-through the Michigan Family Independence Agency:			
Family Support Payments to States - Assistance Payments	93.560		210,117
Child Support Enforcement			
Title IV-D - CRP Friend of the Court	93.563		804,904
Title IV-D - CRP Prosecuting Attorney	93.563		106,072
Title IV-D - CRP Medical Support Enforcement	93.563		3,864
Subtotal - Michigan Family Independence Agency			1,124,957
Total Department of Health and Human Services			2,015,245

(continued...)

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the December 31, 2005 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Homeland Security			
Passed-through the Michigan Department of State Police:			
State Domestic Preparedness Equipment Support Program			
2004 Homeland Security Grant Program	97.004		\$ 561,071
2003 State Homeland Security Grant Program Part II - Training Grant	97.004		17,846
Homeland Security Grant Program			
Emergency Management Performance Grant	97.067		29,189
2005 Homeland Security Grant Program	97.067		48,623
Buffer Zone Protection Program	97.078		12,646
Total Department of Homeland Security			<u>669,375</u>
Total Federal Financial Assistance			<u>\$ 3,604,970</u>

COUNTY OF LENAWEЕ, MICHIGAN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of County of Lenawee, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. FISCAL YEAR

Federal expenditures reported on the accompanying schedule of expenditures of federal awards include certain amounts that are reported for the year ended September 30, 2005 to coincide with the fiscal year of the fund in which the expenditures are reported. The funds passed through the Region II Area Agency on Aging and the Michigan Department of Community Health are presented for the year ended September 30, 2005.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF PRIMARY GOVERNMENT
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

February 23, 2006

Board of Commissioners
Lenawee County
Adrian, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the ***County of Lenawee, Michigan***, as of and for the year ended December 31, 2005, and have issued our report thereon dated February 22, 2006. In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of County of Lenawee, Michigan, do not purport to, and do not, present fairly the financial position of County of Lenawee, Michigan, as of December 31, 2005, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 23% and 77% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lenawee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Lenawee County in a separate letter dated February 23, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenawee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, others within the organization, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

February 23, 2006

Board of Commissioners
Lenawee County
Adrian, Michigan

Compliance

We have audited the compliance of *County of Lenawee, Michigan*, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2005. Lenawee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lenawee County's management. Our responsibility is to express an opinion on Lenawee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lenawee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lenawee County's compliance with those requirements.

In our opinion, Lenawee County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Lenawee County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lenawee County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of County of Lenawee, Michigan, do not purport to, and do not, present fairly the financial position of County of Lenawee, Michigan, as of December 31, 2005, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 23% and 77% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the audit committee, management, the Board of Commissioners, others within the organization, and federal awarding and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned in the lower right area of the page.

COUNTY OF LENAWEE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	<u>Qualified for omission of component units</u> <u>Unqualified for primary government financial statements</u>
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Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> yes <u> X </u> no
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Reportable condition(s) identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> none reported
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Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no
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Federal Awards

Internal Control over major programs:

Material weakness(es) identified?	<u> </u> yes <u> X </u> no
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Reportable condition(s) identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> none reported
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Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u> yes <u> X </u> no
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COUNTY OF LENAWE, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED DECEMBER 31, 2005

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
97.004 & 97.067	Homeland Security Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$300,000</u>
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Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no
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SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

No matters were reported.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



February 23, 2006

To the Board of Commissioners of
Lenawee County
Adrian, Michigan

We have audited the financial statements of Lenawee County for the year ended December 31, 2005, and have issued our report thereon dated February 23, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated January 19, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Lenawee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lenawee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lenawee County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lenawee County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lenawee County's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lenawee County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Lenawee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Lenawee County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Lenawee County, either individually or in the aggregate, indicate matters that could have a significant effect on Lenawee County's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lenawee County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Lobson". The signature is written in a cursive style with a large, prominent 'L' at the beginning.

LENAWEE COUNTY

Comments and Recommendations

For the Year Ended December 31, 2005

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated February 23, 2006, on the financial statements of Lenawee County.

Internal Controls – Payroll

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the County's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

During our consideration of the County's controls, we noted that virtually all payroll functions are performed by the payroll clerk. These functions include payroll processing, check generation, and distribution of checks to department heads. In addition, there is not currently a process in place for an independent review and approval of the payroll prior to payment.

We recommend that the County consider enhancing controls by separating the functions of the payroll clerk such as check generation and distribution as well as implementing an approval process to take place prior to payment.

* * * * *